

Annual Report 2006 - 2007

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Building capacity and capability for the future



Brightening lives... Powering progress.



Vision

A World-Class Engineering Enterprise Committed to
Enhancing Stakeholder Value

Mission

To be an Indian Multinational Engineering Enterprise
providing Total Business Solutions through Quality
Products, Systems and Services in the fields of Energy,
Industry, Transportation, Infrastructure and other
potential areas.

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Letter to Shareholders



Dear Shareholders,

It gives me great pleasure to share with you the progress made by your company during 2006-07 which was a year of solid execution and growth in almost all of BHEL's businesses and we have maintained the momentum we established during the last three years.

Let me briefly share with you, the Company's financial achievements in the year just gone by.

Company Performance during 2006-07

BHEL's turnover of Rs. 18739 crore was more than 29% higher than the comparable figure a year earlier. Key aspects of this growth were:

- Net profit of Rs. 2415 crore was an increase of nearly 44% over last year
- Turnover and Orders inflow have doubled in three years, while Profit Before Tax and Net Profit doubled in just two years.
- The Company secured orders worth Rs. 35643 crore and closed the year with outstanding orders in hand at Rs. 55000 crore.
- We continued on International foot print expansion by entering new markets and building up existing ones. Physical exports reached Rs.1071 crore.
- R&D spend was Rs. 238 crore, 66% higher than the previous year.
- Economic Value Addition (EVA) reached Rs.1657 crore from Rs.1079 crore in the year before.
- Commissioned 7863 MW of power plants catering to domestic utilities, captive power plants for industry and overseas customers.

A final dividend of 60%, Rs. 293.71 crore, on the enhanced paid-up share capital consequent to 1:1 bonus issue, equivalent to 120% on the pre-bonus equity share capital for the year 2006-07 is the other highlight. An interim dividend of 125%, Rs. 305.95 crore, on share capital of Rs. 244.76 crore, has already been paid for the year 2006-07. Thus the total dividend payment for the year 2006-07 amounts to Rs. 599.66 crore (exclusive of dividend tax) as against Rs. 354.90 crore paid in the previous fiscal.

Future is both daunting as well as challenging. Your company is preparing to face the future with optimism and I would like to share with you the challenges and the road map developed to maintain our profitable growth in future.

Meeting Challenges

The country is planning to add 78,000 MW in the XI Plan and over 85,000 MW in the XII Plan period. This means average capacity additions of around 15,000 to 17,000 MW per annum during these two plan periods. Higher rating thermal sets with super critical parameters, advanced class Gas Turbines and higher rating Nuclear Power Plants are planned to be introduced during the XI, XII Plan and beyond. All these mean exciting opportunities in the core business for your Company.

Building Capacity and Capability for the future

Expansion of our activities in the market segments that we operate in is the core element that will drive our growth strategy in future. In line with this, the Company has drawn up a 'Strategic Plan 2012' for ensuring a sustainable profitable growth over the next five years with the objective of reaching a turnover level of US \$ 10 billion by 2011-12. The implementation of the Plan is being taken up with full vigour.

With the establishment of 10,000 MW p.a. manufacturing capacity by the end of 2007, BHEL is on its way to enhance this further to 15,000 MW p.a. by Dec 2009. This enhancement of manufacturing capacity is possible only because of the availability of basic infrastructure and qualified and trained technical manpower in BHEL. The enhanced manufacturing capacity, together with state-of-the-art technology to produce higher rating supercritical thermal sets and a skilled workforce will further strengthen the position of the company in the domestic and international markets.

Over the next five year period, in the pursuit of achieving globalization aspirations of your company, we aim to grow the physical exports by six times the current size. Spares & services business is expected to be the next growth plan for the Company where revenues are expected to increase four-fold from present levels. R&D spend will be increased by at least four times the size of 2006-07.

Conclusion

The dedication and commitment of Company's employees at all levels has continued to be our major strength. I would like to thank my fellow directors for their support and valuable input that they have provided over the past year. I deeply appreciate the co-operation extended by all our customers, shareowners, business associates, and various ministries of the Government of India particularly the Department of Heavy Industry. I believe that by maintaining our strength, stability and focus, we will be able to grow our businesses and remain a well managed company.

With best wishes,

New Delhi
July 30, 2007

(Ashok K. Puri)
Chairman & Managing Director

Board of Directors as on 30.07.2007



Shri Ashok K. Puri
Chairman & Managing Director



Shri N. Gokulram
Director



Dr. Surajit Mitra
Director



Shri Sanjay M. Dadlika
Director



Shri Ashok K. Aggarwal
Director



Shri Manish Gupta
Director



Shri Shekhar Datta
Director



Shri Madhukar
Director



Shri S.K. Jain
Director (HR)



Shri A.K. Mathur
Director (IS&P)



Shri K. Ravi Kumar
Director (Power)



Shri C.S. Verma
Director (Finance)



Shri C.P. Singh
Director (E,R&D)



Shri N.K. Sinha
Company Secretary

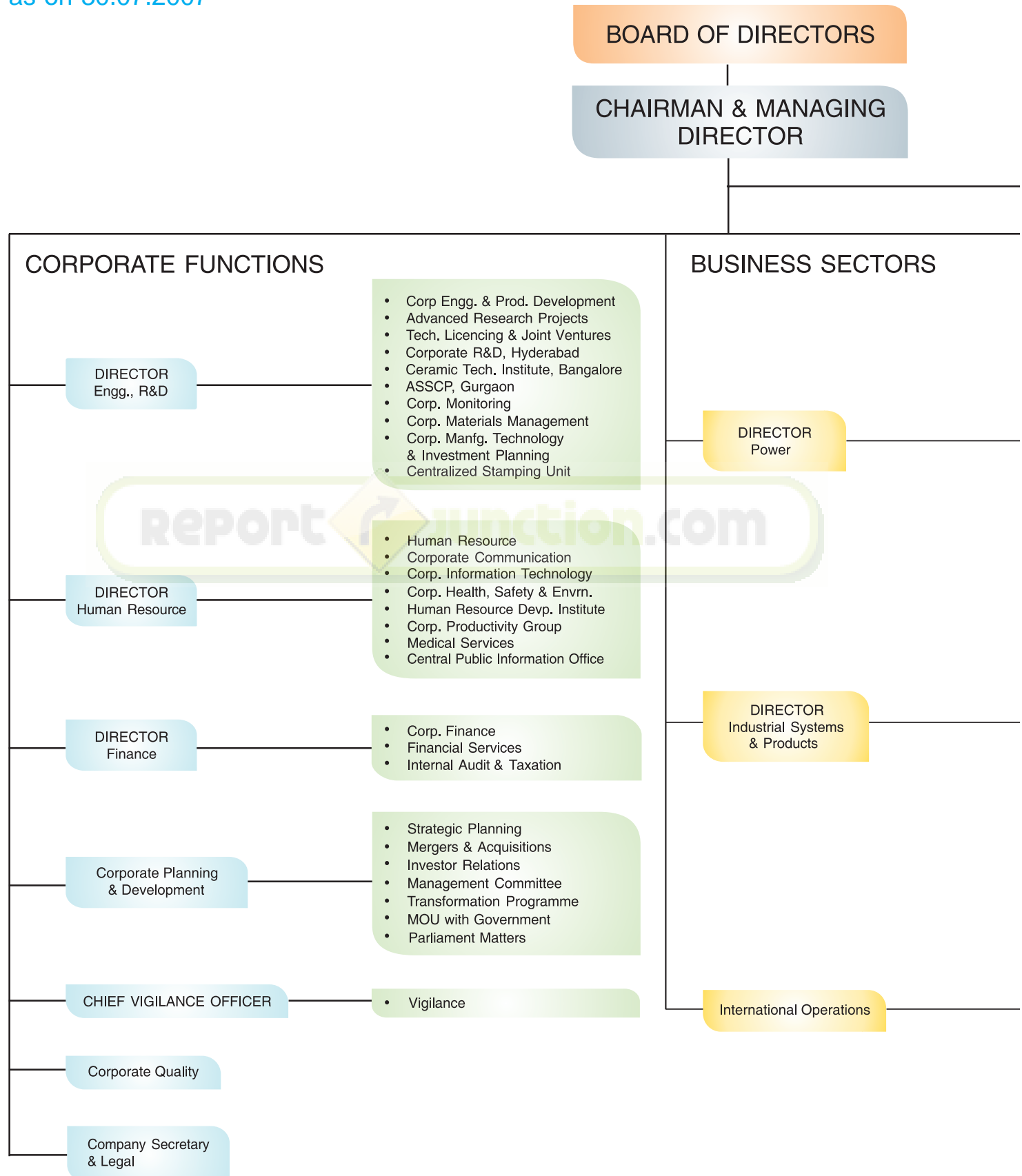
Management Committee

as on 24.07.2007



Ashok K Puri	- Chairman and Managing Director	E. Meenakshi Sundaram	- Power Sector-Southern Region
S.K. Jain	- Human Resources Human Resources Development Institute Corporate Information Technology	S.K. Goyal	- Corporate Research & Development
K. Ravi Kumar	- Power Business Power Sector Regions - North, East, South & West Spares & Services Business	K.V. Muthukrishnan	- Power Sector-Technical Services & Project Management Group
A.K. Mathur	- Industrial Systems & Products Business Transmission Business Transportation Business Ceramics Business Unit Component Fabrication Plant	G.V. Rami Reddy	- Heavy Power Equipment Plant
C.S. Verma	- Finance Internal Audit & Taxation Financial Services	R.N. Misra	- High Pressure Boiler Plant Seamless Steel Tube Plant Industrial Valves Plant Piping Centre Welding Research Institute
C.P. Singh	- Engg. Research & Development Corporate Research & Development Corporate Monitoring, Materials Management Investment Planning, Manufacturing Technology	R. Saraswathan	- Corporate Finance
R.K. Belapurkar	- Corporate Planning & Development	K.K. Mehrotra	- Power Sector-Western Region
R.K. Bhattacharya	- Corporate Engg. & Product Development Advance Research Project Technology Licensing & Joint Ventures	R.S.V. Prasad	- Power Sector-Human Resources
V. Viswanathan	- Electronics Division Electronics Systems Division Industrial System Group	S.N. Daga	- Corporate Manufacturing Technology & Investment Planning Corporate Monitoring
R.K. Singh	- Heavy Electrical Plant Electrical Machines Repair Plant	S.M. Mahajan	- Central Foundry Forge Plant
M.L. Sah	- Power Sector-Eastern Region	S.T.H. Rizvi	- Project Engineering Management
G. Arunagiri	- Boiler Auxiliaries Plant	R.K. Srivastava	- Regional Operations, Ceramic Business Unit, Component Fabrication Plant & Central Marketing Group
M.R. Ganesan	- Power Sector - Marketing Spares & Services Business	Anil Sachdev	- Corporate Human Resource Corporate Communication Corporate Productivity Health, Safety & Environment
V.K. Jain	- Transformer Plant	O.P. Bhutani	- International Operations
Pankaj Sharma	- Power Sector-Northern Region	B.P. Rao	- Industry Sector Business including Captive Power Plant Business Transportation Business Project Management
		D.K. Mody	- Heavy Electrical Equipment Plant Pollution Control Research Institute
		W.V.K. Krishna Shankar	- Secretary, Management Committee

Corporate Functional Structure as on 30.07.2007



MANAGEMENT COMMITTEE

- Power Sector - Marketing
- Power Sector - Regions (NR, ER, WR, SR)
- Project Engineering Management
- Project Management
- Technical Services
- Spares & Services Business Group
- Heavy Equipment Repair Plant, Varanasi
- Human Resources

- Captive Power Plant Business
- Industrial Products Business (Elect. & Mech.)
- Transmission Business
- Transportation Business
- Defence Business
- Central Marketing Group for NCES
- Ceramic Business Unit, Bangalore
 - Electro Porcelains Division, Bangalore*
 - Insulator Plant, Jagdishpur*
- Component Fabrication Plant, Rudrapur*
- Regional Operations Division
- Project Management & Customer Response

- Marketing
- Projects

OPERATIONS

- Heavy Electrical Plant, Bhopal
- Centre for Electric Transportation, Bhopal
- EMRP, Mumbai

- Transformer Plant, Jhansi

- Heavy Electrical Equipment Plant, Haridwar
- Pollution Control Research Institute, Haridwar

- Central Foundry Forge Plant, Haridwar

- Heavy Power Equipment Plant, Hyderabad

- High Pressure Boiler Plant, Trichy
- Seamless Steel Tube Plant, Trichy
- Welding Research Institute, Trichy

- Industrial Valves Plant, Goindwal

- Piping Centre, Chennai

- Boiler Auxiliaries Plant, Ranipet

- Electronics Division, Bangalore
- Electronics Systems Division, Bangalore
- Industrial Systems Group, Bangalore

* Operating Units

Corporate profile

Bharat Heavy Electricals Ltd. (BHEL) is the largest engineering and manufacturing enterprise of its kind in India and is one of the leading international companies in the field of power equipment manufacture. The first plant of BHEL, set up at Bhopal in 1956, signalled the dawn of the Heavy Electrical Industry in India. In the sixties, three more major plants were set up at Haridwar, Hyderabad and Tiruchirapalli that form the core of the diversified product range, systems and services that BHEL offers today. BHEL's range of services extends from project feasibility studies to after-sales-service, successfully meeting diverse needs through turnkey capability. The company has 14 manufacturing units, 4 power sector regions, 8 service centers and 15 regional offices, besides project sites spread all over India and abroad. BHEL has a well recognised track record of performance, making profits continuously since 1971-72 and paying dividends since 1976-77.

BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian economy viz., Power Generation and Transmission, Industry, Transportation, Renewable Energy etc. The quality and reliability of its products is due to the emphasis on design, engineering and manufacturing to international standards by acquiring and adapting some of the best technologies from leading companies in the world, together with technologies developed in its own R&D centers. The Company has been constantly adapting itself to face the challenges thrown-up by the business environment.

BHEL has already attained ISO 9000 certification for quality management and all the manufacturing units /divisions have been upgraded to the latest ISO 9001-2000 version. BHEL has also secured ISO 14001 certification for environmental management systems & OHSAS -18001 certification for occupational health and safety management systems for all its units/divisions. BHEL is continuing its journey towards Business Excellence.

BHEL has committed to support the Global Compact & the set of core values enshrined in its ten principles in the areas of human rights, labour standards and environment.

BHEL's VISION

BHEL's vision is to become "a world-class engineering enterprise committed to enhancing stakeholder value".

BUSINESS SECTORS

BHEL's operations are organised around three business sectors, namely Power, Industry including Transmission, Transportation & Renewable Energy, and International Operations. This enables BHEL to have a strong customer orientation and respond quickly to the changes in the market.

POWER SECTOR

Power is the focal area for BHEL and comprises thermal, nuclear, gas, diesel and hydro businesses. BHEL has taken India from a position of total dependence on overseas sources to complete self-reliance in power plant equipment. Today, BHEL sets account for nearly 65% of the total installed power generating capacity in the country. Significantly these sets contribute 73% of the total power generated in the country.

BHEL has contracted for boilers and auxiliaries, turbo generator sets and associated controls, piping and station



1,000 MW Simhadri STPS set up by BHEL on turnkey basis in 45 months

Control & Instrumentation of up to 500 MW unit rating and has the technology and capability to produce thermal sets of higher unit ratings including 1000 MW.

BHEL has access to technology for higher size gas turbines and can supply gas turbines of up to 279 MW unit size. It engineers and constructs custom built combined cycle power plants. Hydro sets of Francis, Pelton, Kaplan and bulb types for different head - discharge combinations, with matching generators, are also designed and manufactured by BHEL.

To give a thrust to refurbishing and modernisation for plant performance improvement of old fossil fuel power plants and provide repair and service for GE design gas turbines, two joint venture companies have been floated with Siemens and GE respectively, which have completed nine full financial years of commercial operation.

With a focus to provide a single window facility to the customers for services & spares of power generation equipments, a 'Spares & Services Business Group' has been created.



Ultra High Voltage Laboratory at BHEL Bhopal, the only one of its kind in Asia

INDUSTRY SECTOR

INDUSTRIES

BHEL manufactures and supplies major capital equipment and systems like captive power plants, centrifugal compressors, drive turbines, industrial boilers and auxiliaries, waste heat recovery boilers, gas turbines, pumps, heat exchangers, electric machines, valves, heavy castings and forgings, electrostatic precipitators, ID/FD fans, seamless pipes etc. These serve a number of industries like metallurgical, mining, cement, paper, fertilizers, refineries and petro-chemicals, etc. in addition to power utilities. BHEL has also emerged as a major supplier of controls and instrumentation systems, especially distributed digital control systems for various power plants and industries.

OIL & GAS

BHEL has the capability to supply complete onshore drilling rigs, super deep drilling rigs, desert rigs, mobile rigs, workover rigs and sub sea well heads. It supplies equipment / sub-assemblies for onshore drilling rigs viz. drawworks, rotary-table, travelling block, swivel, mast & sub structure, mud systems and rig electrics. BHEL also supplies X'mas tree valves & well heads up to a rating of 10,000 psi for

onshore / offshore service and Casing Support System, Mudline Suspension System & Block Valves for offshore applications.

TRANSMISSION

BHEL supplies a wide range of products and systems for transmission & distribution applications. The products manufactured by BHEL include power transformers, instrument transformers, dry type transformers, shunt reactors, capacitors, vacuum and SF6 switchgear, gas



Christmas Tree valves

insulated switchgear, ceramic insulators, etc. BHEL has developed and commercialized the country's first indigenous 36 kV Gas Insulated Substation (GIS) and has also bagged first order for its indigenously developed 145 kV GIS.

For enhancing the power transfer capability and reducing transmission losses in 400 kV lines, BHEL has indigenously developed and executed fixed series compensation schemes and has developed thyristor controlled series compensation scheme, involving thyristor controlled reactors, popularly known as Flexible AC Transmission System (FACTS). BHEL has indigenously developed state of the art controlled shunt reactor for reactive power management of long transmission lines. With a strong engineering base, the company undertakes turnkey execution of substations upto 400 kV and has capability to execute 765 kV substations. High Voltage Direct Current (HVDC) systems have been supplied for economic transmission of bulk power over long distances. During the year, BHEL successfully bagged another order for installation of Balia-Bhiwadi HVDC link of 2500 MW capacity.

TRANSPORTATION

Most of the trains in the Indian Railways, whether electric or diesel powered are equipped with BHEL's traction propulsion systems and controls. The systems supplied are both with conventional DC drives and state of the art AC drives. India's first underground metro at Kolkata runs on drives and controls supplied by BHEL. The company also manufactures complete rolling stock i.e. electric locomotives up to 5000 HP, diesel electric locomotives from 350 HP to 3100 HP for both mainline and shunting duty applications. Further, BHEL undertakes retrofitting and overhauling of rolling stock. In the area of Urban transportation, BHEL is geared up for turnkey execution of electric trolley bus systems, light rail systems and metro systems. BHEL is contributing to the supply of electrics for EMUs for 1500V DC & 25 kV AC to Indian Railways. Almost all the EMUs in service are with electrics manufactured and supplied by BHEL. The company has also diversified into the area of track maintenance machines. BHEL



Loco under fabrication and testing at BHEL Jhansi Plant



5kWp SPV Plant commissioned at Bodonala village for CSEB, Chhattisgarh

is well poised to meet the emerging requirements of Indian Railways for higher horsepower locos for freight and passenger applications.

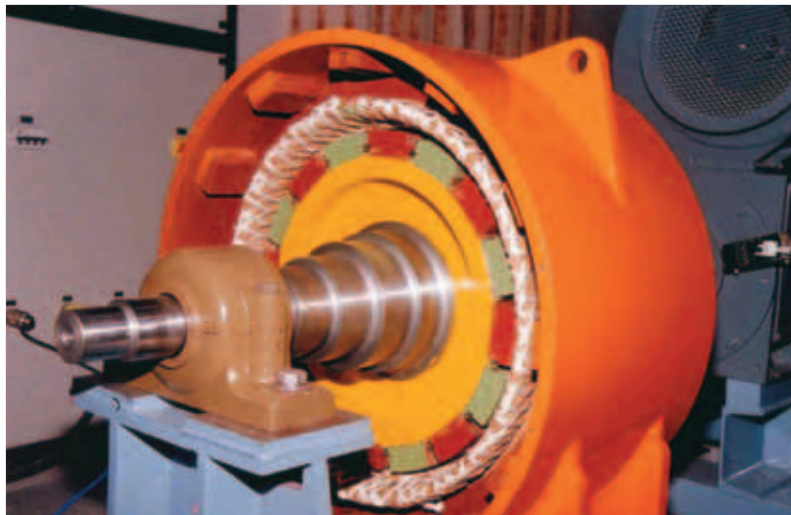
RENEWABLE ENERGY

BHEL has been manufacturing & supplying various Renewable Energy systems and products. It includes Solar Energy systems namely PV modules, PV power plants, solar lanterns, street lighting, solar pumps and solar water heating systems. The Wind power generation business based on higher rating WEGs is being explored.

INTERNATIONAL OPERATIONS

BHEL has over the years established its references in 68 countries of the world spanning across all the six-inhabited continents. These references encompass almost the entire range of BHEL products and services covering turnkey Power projects of Thermal, Hydro and Gas-based, Transmission Substation projects, Rehabilitation projects for Boilers, Power Stations etc., besides a wide variety of products, like Transformers, Reactors, Compressors, Valves and Oil field equipment, Electrostatic Precipitators, Photo Voltaic equipments, Insulators, Switchgears, Heat Exchangers, Castings & Forgings. Some of the major successes achieved by BHEL have been in Gas based power projects in Oman, Saudi Arabia, Iraq, Libya, Bangladesh, Malaysia, Sri Lanka, China, Kazakhstan; Thermal power projects in Cyprus, Malta, Egypt, Malaysia, Sudan, Indonesia, Thailand; Hydro power plants in New Zealand, Azerbaijan, Bhutan, Nepal, Taiwan, Malaysia, Afghanistan, Tajikistan and Substation Projects & equipment in various countries of Africa, Europe, South & South East Asia.

The company is taking a number of strategic business initiatives to fuel further growth in overseas business. This includes firmly establishing itself in target export markets, positioning of BHEL as a regular EPC Contractor in the global market and, exploring various opportunities for setting up overseas joint ventures etc.



38 kW Permanent Magnet Generator developed by BHEL at Corporate R&D

RESEARCH & DEVELOPMENT

The Corporate R&D Division at Hyderabad leads BHEL's research and development efforts, suitably supported by Engineering and R&D groups at the manufacturing divisions. BHEL's technology policy promotes a judicious mix of indigenous efforts and selective collaboration in essential areas. The company continuously upgrades its technology and products to contemporary standards.

BHEL is one of the few companies worldwide involved in the development of Integrated Gasification Combined Cycle (IGCC) technology which will usher it in clean coal technology. BHEL has set up Asia's first 6.2 MW IGCC power plant with a indigenously designed pressurised fluidised bed gasifier. Presently, development efforts are underway to set up a 125 MW IGCC power plant.

Four Centres of Excellence for Computational Fluid Dynamics, Simulators, Permanent Magnet Machines and Surface Engineering have been established at BHEL's Corporate R&D Division, which has led to enhancement of BHEL's design and analysis capability and also enabled development of new and improved products.

BHEL's R&D efforts have produced several new products. Some of the recent successful R&D products are: advanced software package for Performance Analysis, Diagnostics and Optimisation (PADO) of power plants to optimize power plant operations during varying operating conditions; High Velocity Oxy Fuel coating process to increase life of hydro turbine components, and other industrial products prone to erosion; an indigenously designed Bowl Mill of 91 tons per hour capacity for pulverising coal in thermal power stations; the largest size 60 MWe Bubbling Fluidised Bed Boiler for power generation; a new eco- friendly, cost effective and less hazardous chemical cleaning system process for boilers using an organic chemical 'Ethylene Diamine Tetra Acetic Acid'; a six jet Pelton hydro turbine with a head of 789 metres for the 4x200 Parbati hydro electric project; the first totally impregnated turbo generator stator for a 250 MW turbo generator; a 260 MW steam turbine designed to suit combined cycle power plant application; Smart wall blowing system for cleaning of boiler tubes during operation; Sonic system for detecting tube leaks in boilers; a By-pass Over Fire Air (BOFA) system which reduces NOx emission from coal fired power stations by upto 50%.

HUMAN RESOURCE DEVELOPMENT

The greatest strength of BHEL is its highly skilled and committed manpower. Every employee is given an equal opportunity to develop himself and improve his position. Continuous training & retraining, career planning, a positive work culture and participative style of management have engendered development of a committed and motivated work force ready to take up the challenge of making BHEL a competitive world-class organization.

As a process of linking HRM to market forces / stakeholder driven policies, an e-enabled Performance Management System has been established for executives - a new benchmark in promoting performance-led growth. To encourage individuals for capability building and for continuous improvement through creativity & innovation in every sphere of activity, an e-network based 'Improvement Projects Rewards Scheme' (IMPRESS) has been introduced company wide.

Year at a Glance

(Rs. in crores)	2006-07	2005-06	CHANGE (%)
Orders Received	35643	18938	88.21
Orders Outstanding	55000	37600	46.28
Turnover	18738.95	14525.49	29.01
Value Added	7182.27	5682.80	26.39
Employee (Nos.)	42124	42601	-1.12
Profit Before Tax	3736.07	2564.35	45.69
Profit After Tax	2414.70	1679.16	43.80
Dividend	599.66	354.90	68.97
Dividend Tax	92.83	49.78	86.48
Retained Earnings	1722.21	1274.49	35.13
Total Assets	22362.54	17505.92	27.74
Net Worth	8788.26	7301.38	20.36
Total Borrowings	89.33	558.24	-84.00
Debt : Equity	0.01	0.08	-87.50
Per Share (in Rupees) :			
- Net worth	359.06	298.31	20.36
- Earnings	98.66	68.60	43.80
Economic value added	1657	1079	53.51
(US \$ in million)			
Turnover	4344	3270	32.84
Profit Before Tax	866	577	50.01
Profit After Tax	560	378	48.15

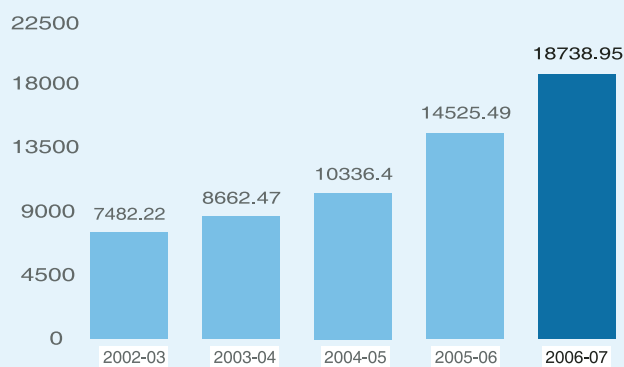
Conversion Rates (Rate as on 31st March) :

1 US \$ = Rs. 43.14 for 2006-07

1 US \$ = Rs. 44.42 for 2005-06

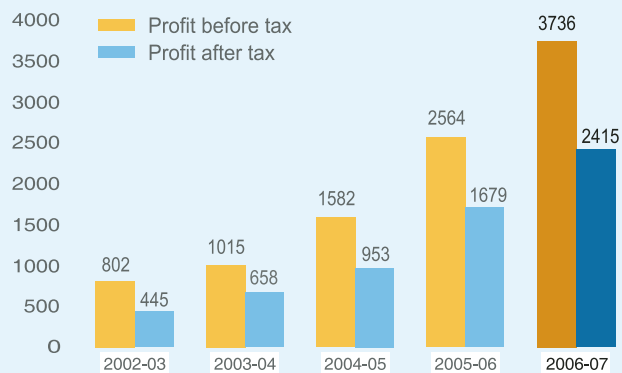
Turnover

in Rs. crores



Profit before tax / Profit after tax

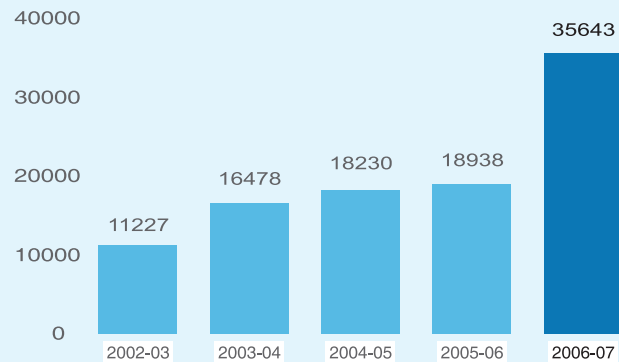
in Rs. crores



Financial Charts

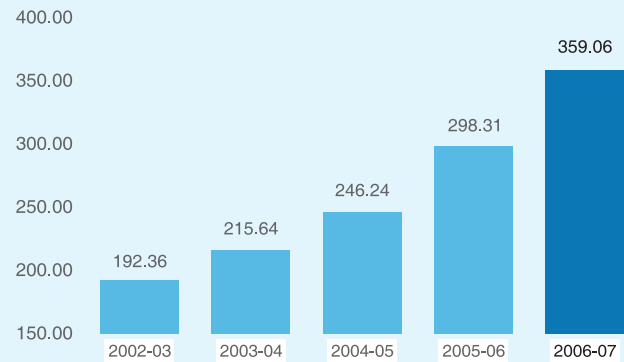
Orders secured

in Rs. crore



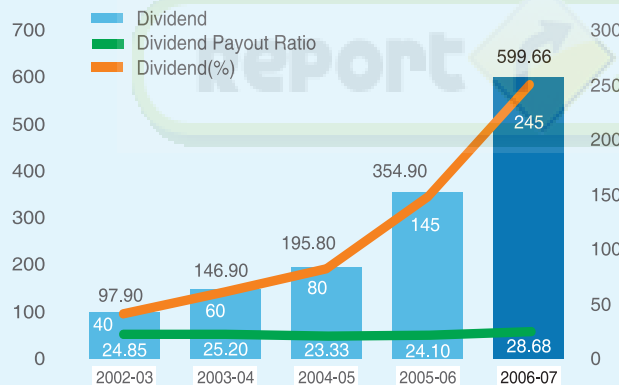
Net worth per share

in Rs.



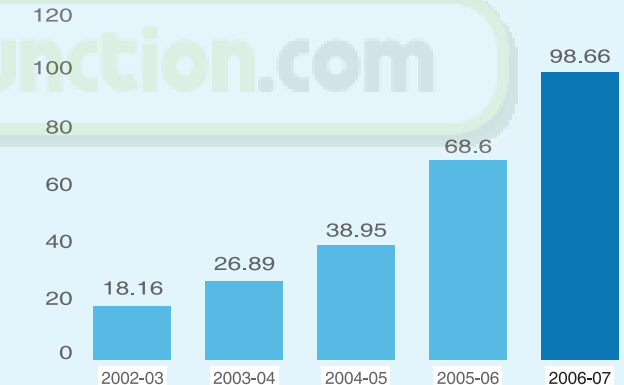
Dividend ratios

Dividend
Dividend Payout Ratio
Dividend(%)



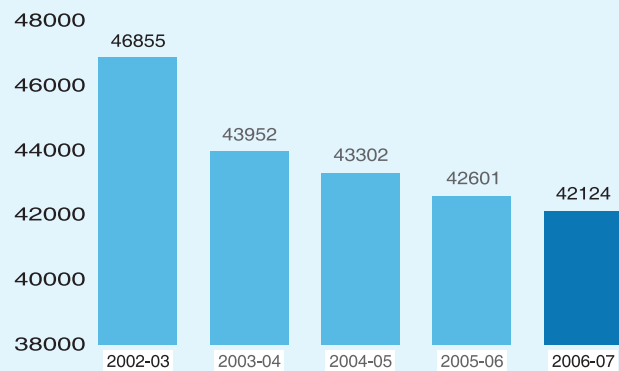
Earning Per Share

in Rs.



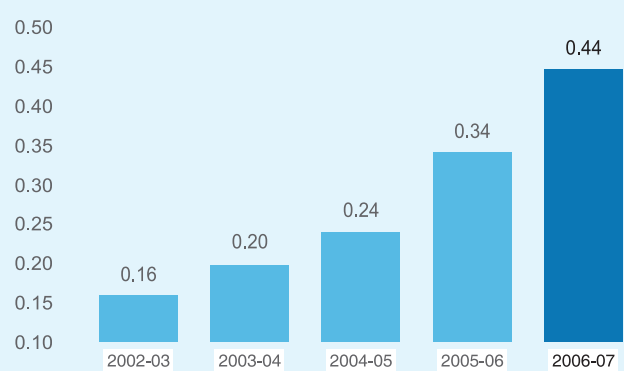
Manpower

in Nos.



Turnover per employee

in Rs. crores



Awards



Sh. C.S. Verma, Director (F) receiving ICWAI National Award for Excellence in Cost Management 2006 from the Hon'ble Union Minister for Corporate Affairs



Sh. Ashok K. Puri, CMD, BHEL receiving 'MOU Award for Excellence in Performance' for 2004-05 from the Hon'ble Prime Minister on March 8, 2007



Sh. S.K. Jain, Director (HR) receives the 'Prize' under the CII Exim Award Scheme from the Hon'ble Minister for Industries, Govt. of Karnataka. BHEL is the first PSU to win this award



Sh. Ashok K. Puri, CMD, BHEL receiving the 'Business Standard Star Public Sector Company Award – 2006' from the Dy. Chairman, Planning Commission



BHEL Shram Awardees with Shri Ashok K. Puri, CMD, BHEL. 14 employees received 8 Shram Awards from the Hon'ble Prime Minister including the only Shram Bhushan awarded for the year

Directors Report

To the members,

We are delighted to present our 43rd Annual Report on the business and operations of the Company for the year ended March 31, 2007.

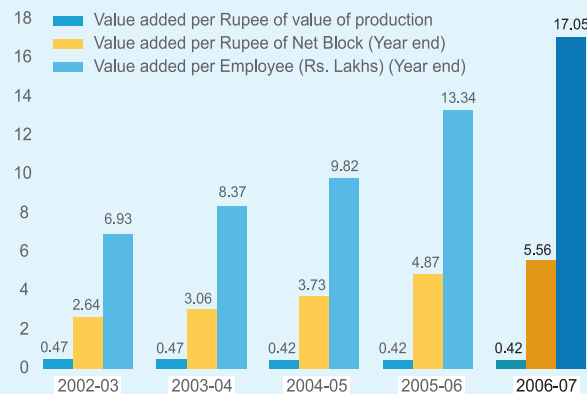
FINANCIAL RESULTS

(Rs. in Crore)	2006-07	2005-06
(a) Turnover	18738.95	14525.49
(b) Profit before depreciation, interest & tax	4052.37	2869.03
(c) Less: Depreciation	272.97	245.93
(d) Less: Interest & Finance charges	43.33	58.75
(e) Profit before tax	3736.07	2564.35
(f) Less: Provision for Taxes (including deferred tax & Fringe benefit tax)	1321.37	885.19
(g) Net Profit after Tax	2414.70	1679.16
(h) Add/(less) Statutory appropriation	1.45	6.93
(i) Distributable Profit	2416.15	1686.09
(j) Add: Balance brought forward from the previous year	219.06	237.64
k) Balance available for appropriation	2635.21	1923.73
a) Bond redemption Reserve	-	100.00
b) Dividend (including interim dividend)	599.66	354.90
c) Corporate Dividend tax (incl. on interim dividend)	92.83	49.77
d) Amount transferred to General Reserve	1500.00	1200.00
l) Balance in P&L account to be carried forward	442.72	219.06
(m) Earnings per Share (Rs.)	98.66	68.60
(n) NAV per share (Rs.)	359.06	298.31
(o) Economic Value Added (Rs. crore)	1657	1079

FINANCIAL HIGHLIGHTS

During the year the turnover increased by 29.01% to Rs. 18738.95 crore from Rs.14525.49 crore in the previous year. Profit after tax registered an increase of 43.80% to Rs. 2414.70 crore as against Rs. 1679.16 crore in the previous year. The increase in profit is driven by the higher volume of operations. Net worth of the company has gone up from Rs. 7301.38 crore in 2005-06 to Rs. 8788.26 crore in 2006-07 registering an increase of 20.36%. NAV per share has increased from Rs. 298.31 in 2005-06 to Rs. 359.06 in 2006-07. The company has also redeemed the bonds of Rs. 500 crore, on its maturity during the year.

Productivity Ratio



ISSUE OF BONUS SHARES & DIVIDEND

The Board of Directors in January, 2007 recommended the issue of Bonus Shares in the ratio of 1:1 to the Shareholders of the Company. Subsequently, an Extraordinary General Meeting of the Shareholders of the Company was convened on 30th April, 2007. The Shareholders approved increase in the Authorised Share Capital from Rs. 325 crore divided into 32.50 crore Equity Shares of Rs.10/- each to Rs. 2,000 crore divided into 200 crore Equity Shares of Rs. 10/- each and approved issue of Bonus Shares in the ratio of 1:1 i.e. one Bonus Share of Rs. 10/- each for every one fully paid up Equity Share of Rs.10/- each held by them on the 'Record Date'. The bonus share will rank pari-passu for payment of dividend along with the existing share capital of the company as per the listing requirement. The 'Record Date' to ascertain the names of the Shareholders who were eligible for Bonus Shares, both in physical mode as well as in the electronic mode was fixed as 1st June, 2007. The Committee of Board of Directors of the Company allotted the Bonus Shares on 6th June, 2007 to all the Shareholders, whose names were in the Register of Members or in the respective beneficiary accounts with their depository participants, as on 1st June, 2007.

The Board has recommended a final Dividend of 60%, Rs. 293.71 crore, on the enhanced paid-up share capital consequent to 1:1 bonus issue, equivalent to 120% on the pre-bonus equity share capital for the year 2006-07. An interim dividend of 125%, Rs. 305.95 crore, on share capital of Rs. 244.76 crore, has already been paid for the year 2006-07. Thus the total dividend payment for the year 2006-07 is Rs. 599.66 crore (exclusive of dividend tax) as against Rs. 354.90 crore paid in the previous year.

Provision of Rs. 49.92 crore has been made for Corporate Dividend Tax on the final dividend proposed. Corporate Dividend Tax of Rs. 42.91 crore has already been paid on the interim dividend.

ORDERS RECEIVED

Orders received during the year increased by 88.21% from Rs. 18938 crore in 2005-06 to Rs. 35643 crore in 2006-07. Sector wise orders booked are as follows:

(Rs. in Crore)	2006-07	2005-06
Power Sector	27730	10862
Industry Sector	6010	4728
International Operations	1903	3348
Total Orders Booked	35643	18938
Order Book outstanding at the end of the year	55000	37600

RATING OF BHEL VIS-À-VIS MOU TARGETS

Performance of the BHEL for the year 2005-06 has been rated as 'Excellent' in terms of MoU signed with the Government of India. The MoU rating for 2006-07 is under finalization by the Government.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis is placed at Annexure – 1.

BOARD OF DIRECTORS

Appointment

Shri N. Gokulram, was appointed as a part-time, Official Director w.e.f. 25th January, 2007.

Shri B.P.Rao has been appointed as an Additional Director w.e.f. 1st September, 2007 to take charge of the office of Director (IS&P).

Shri Anil Sachdev has been appointed as an Additional Director w.e.f. 1st September, 2007 to take charge of the office of Director (HR).

Cessation

Shri Ramji Rai laid down the Office of Director (E, R & D) on attaining the age of superannuation on 31st August, 2006.

Shri Raman Singh Sidhu, who was appointed as a part-time non-official Director w.e.f. 4th January, 2006 resigned from the Board of Directors of BHEL w.e.f. 12th September, 2006.

Shri Naresh Chaturvedi ceased to be Director of the Company w.e.f. 25th January, 2007.

Shri Vineet Nayyar, who was appointed as a part-time non-official Director w.e.f. 1.3.2004 has ceased to be Director of the Company on completion of his tenure on 28th February, 2007.

Shri S.K.Jain will lay down the office of Director (HR) on attaining the age of superannuation on 31st August, 2007.

Shri A.K.Mathur will lay down the office of Director (IS&P) on attaining the age of superannuation on 31st August, 2007.

The Board of Directors places on record its deep appreciation of the valuable service rendered/advice and guidance provided by S\Shri Ramji Rai, Raman Singh Sidhu, Naresh Chaturvedi and Vineet Nayyar during their tenure.

Pursuant to Article 67(iv) of the Articles of Association of the Company, S/Shri K. Ravikumar, Director (Power), C. S. Verma, Director (Finance) and Sanjay M. Dadlika, part-time non-official Director, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

In compliance with Clause 49 IV(G)(i) of the Listing Agreement, brief resume of the Directors proposed for appointment and reappointment, nature of their expertise in specific functional areas and names of Companies in which they hold directorship and Membership of Committees of the Board are given at Annexure - 2 forming part of the Directors' Report.

OFFICIAL LANGUAGE IMPLEMENTATION

- The Company continued its thrust on official language implementation in line with GOI's Policy on the same.
- Some of the activities undertaken during the year included
 - (a) imparting training in Hindi to employees in Region 'C'
 - (b) organizing translation training programme in association with Central Translation Bureau, Govt. of India
 - (c) organising Hindi workshops
 - (d) organizing inter-unit competitions etc. Further to create interest among the employees in Hindi and to make the libraries well equipped with Hindi Books, an amount of Rs. 4,85,000/- was spent on purchase of Hindi Books during the year.
- Hindi Advisory Committee of the Ministry of Heavy Industry & Public Enterprises visited our Haridwar Unit on 28 & 29 December, 2006 and appreciated the efforts taken by the Unit in implementation of official language.
- Further Hindi magazines were also brought out by various units. "BHEL Darpan" published by EPD Bangalore and "Poorvabha" by Power Sector-Eastern Region received awards from Maya Ram Surjan Foundation. "Poorvabha" also received an award from TOLIC, Kolkata.
- The following awards were received, from the Town Official Language Implementation Committee, by various units.

Trichy Unit situated in Region "C" won the First Prize. The Power Sector-Northern Region received the "Rajbhasha Ratna" award. EDN, Bangalore was awarded with the "Sarvadhik Puraskar Vijeta Samman" and R.C.Puram Hyderabad received the "Rajbhasha Trophy" for the Excellent Implementation of Official Language.

All the Units of the company, including Corporate Office, celebrated Hindi Divas on 14th September, 2006. 'Hindi Fortnight' was also celebrated during which various Hindi competitions were organised and awards were given to employees & their wards. Republic Day & Independence Day Celebrations were conducted in Hindi at our Noida Township.

PARTICIPATION IN THE GLOBAL COMPACT OF THE UNITED NATIONS

As a responsible corporate citizen, BHEL reiterated its commitment to United Nation's Global Compact Programme and the set of core values enshrined in its ten principles on human rights, labour standards, environment and anti-corruption and intent to advance G.C principles within the company's sphere of influence.

Following the Company's decision to join the Global Compact Programme, initiated by Secretary General, United Nations, it has undertaken a number of initiatives on G.C. principles related activities and this has now become an integral part of the company's strategic and operation level activities.

During the year, the Company achieved a distinction for its contribution in support of Global Compact programme when the UNGC placed the Company's performance report viz. Communication On Progress (COP), under 'Notable Communication' category. Only 13 out of 117 Indian organizations, committed to UNGC programme, have qualified for this distinction.

Under UNDP programme for specialized services in the area of Environment, BHEL has set up a Pollution Control Research Institute (PCRI) at Haridwar plant and a Model Centre for OHS, at Trichy, offering a wide range of occupational care as well as expertise in work Environment monitoring, Toxicology, Ergonomics and in organization of OHS to multitude of industries for different sectors in India.

Significantly, the Model Centre for Occupational Health Services (OHS) at BHEL Trichy, added yet another feather in its cap when Union Ministry of Labour, after critically examining the infrastructure, facilities & faculty, accredited the Centre to conduct P.G. Certificate course on Industrial Health for Doctors, associated with hazardous industries.

To meet exacting international standards, BHEL completed re-certification of all its Units due for ISO-14001 on Environment as well as OHSAS-18001 on Occupational Health & safety management systems.

BHEL has been contributing to the national effort for development of far-flung/remote areas on a sustained basis. During the year, a 55 KWp stand-alone Solar Photovoltaic (SPV) power plant was commissioned at Pathankali for West Bengal Renewable Energy Development Agency (WBREDA). With this, BHEL has supplied & commissioned six such plants of different ratings in the Sundarbans/Sagar Island to provide power to remote village communities.

In recognition to untiring efforts made for the welfare of deprived & vulnerable section of the society, one of the highest civilian honours of the country-'Padma Shri, was conferred on Mr. Khalid Zaheer, a BHEL employee, by the President of India.

The company is well recognised as a social conscious organization and continues to play an active role through a host of community development & other measures in an around its plants and surrounding areas. As part of this, number of welfare projects were undertaken at the Company's 56 adopted villages having nearly 80,000 inhabitants. These included Blood Donation camps, Health Check-up camps besides, providing infrastructure support at these villages.

VIGILANCE

The vigilance organisation of BHEL is headed by the CVO. Each Unit / Region of BHEL has an independent vigilance set up headed by a senior vigilance executive reporting to the CVO.

As in earlier years, preventive vigilance was one of the thrust areas of BHEL Vigilance during 2006-07. Inadequate awareness or wrong interpretation of rules and procedures often leads to lapses / irregularities. Hence awareness of rules and procedures amongst employees of the organization is generated by organizing training programmes as a measure of preventive vigilance. 46 such programmes were organized during the year 2006-07 in various Units, Regions and offices of BHEL.

During the year 2006-07 Vigilance Heads of all Units / Regions have carried out system studies with a view to make systems more effective and transparent. Interactive sessions were held with line executives representing different functional areas, in order to create vigilance awareness and to enhance their knowledge of the Company's rules, procedures and policies.

CVC has decreed that Vigilance objectives can be better achieved through implementation of Transparency Measures in various areas of Company operations, especially in areas requiring interface with customers and suppliers. Some of these successfully implemented measures include the hosting of tender details on the Company's web site, personal and vendor payments through Electronic mode.

At the initiative of vigilance, a web based property return system has been hosted by Corporate HR & passwords were issued to CVO / Vigilance Heads at Units for scrutiny.

SECURITY

The security of most of the units of the company is being managed by the CISF. In some units, the company has its own security, while in other units, Corporate office and regional offices the security is being looked after by the Private agencies like EATS sponsored by DGR.

Security audit of major units is being done by the intelligence Bureau periodically and the additional requirements, wherever identified by them, are immediately complied with by the concerned units. Review of security is also carried out internally from time to time.

The management, security staff and the employees of company are sensitized to the security needs of company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2007 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year 2006-07 and of the profit or loss of the company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

CORPORATE GOVERNANCE

As per the requirements of Clause 49 of the Listing Agreement a detailed report on Corporate Governance together with the following is given at Annexure – 3 :

- (i) CEO/CFO Certificate [as per Clause 49(V)] and
- (ii) Certificate from the Company's Auditors [as per Clause 49(VII)].

OTHER DISCLOSURES

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given at Annexure – 4.

None of the employees of the Company is drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

AUDITORS

The Auditors of your Company are appointed by the Comptroller and Auditor General of India. The names of auditors appointed for the year 2006-07 are printed separately in the Annual Report.

The replies to the points referred to in the Auditors' Report and to the Comments of the Comptroller and Auditor General of India are given at Annexure – 5.

ACKNOWLEDGEMENTS

The Board places on record its sincere appreciation towards the Company's valued customers in India and abroad for the support and confidence reposed by them in the organisation and looks forward to the continuance of this mutually supportive relationship in future.

The Board also gratefully acknowledges the support and guidance received from various ministries of the Government of India, particularly the Department of Heavy Industry, in Company's operations and developmental plans. The Directors express their grateful thanks also to the Comptroller and Auditor General of India, Chairman and Members of Audit Board, Statutory auditor, branch auditors and Cost auditors. The Company also wishes to place on record its appreciation of the continued co-operation received from all the Technology Collaborators and Suppliers and support provided by the Financial Institutions and bankers. The Board wishes to record its deep gratitude to all members of the BHEL family whose enthusiasm, dedication and co-operation has made the achievement of an excellent performance possible.

For and on behalf of the Board of Directors of
BHARAT HEAVY ELECTRICALS LTD.



ASHOK K. PURI
CHAIRMAN & MANAGING DIRECTOR

Place : New Delhi
Dated : July 30, 2007

Management Discussion and Analysis

A. FINANCIAL OPERATIONS

Analysis of the financial performance of the Company

I. Share Capital

	Figures in Rs. Crore	
	2006-07	2005-06
Authorised Share capital	325.00	325.00
Issued, subscribed & Paid up Share Capital	244.76	244.76

Our Authorized Share Capital is Rs. 325 crore, divided into Rs. 32.50 crore Equity Shares of Rs. 10/-each. The Issued, Subscribed & Paid up share capital is Rs. 244.76 crore, divided into Rs.24.47 crore Equity Shares of Rs. 10/- each fully paid up, of which Rs. 7.41 crore Equity shares allotted for consideration other than cash. There is no change in the share capital during the year 2006-07.

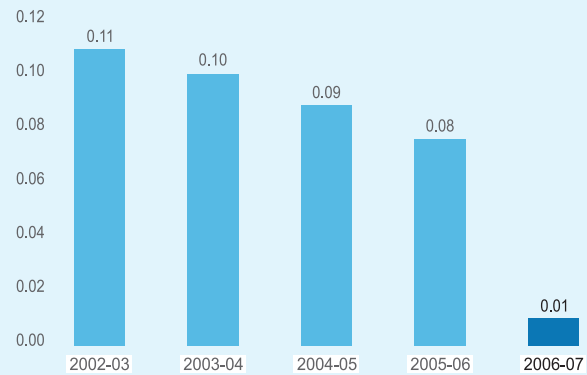
The Board of Directors in January, 2007 recommended the issue of Bonus Shares in the ratio of 1:1 to the Shareholders of the company. In the Extraordinary General Meeting of the Shareholders of the company held on 30th April, 2007 the Shareholders approved increase in Authorised Share Capital from Rs. 325 crore to Rs. 2000 crore of Face Value of Rs. 10/- per Equity Share and issue of bonus shares in the ratio of 1:1 to shareholders. Bonus shares were allotted on 6th June 2007 to the shareholders, whose names were recorded in the Register of Members as on 1st June, 2007. Consequent to the above, the paid-up share capital stands at Rs. 489.52 crore on 1st June, 2007.

2. Reserves & Surplus

	Figures in Rs. Crore	
	2006-07	2005-06
Capital Reserve	2.75	2.75
Foreign Project Reserve	3.57	5.02
Bonds Redemption Reserve	0.00	500.00
General Reserve	8094.46	6329.79
Profit & Loss Account	442.72	219.06
	8543.50	7056.62

The change in Reserve & Surplus as on 31.03.2007 were on account of: i) transfer of Rs.1.45 crore from Foreign Project Reserve to Profit & Loss account ii) transfer of bond redemption reserve Rs. 500 crore to General Reserve on redemption of bonds on its maturity iii) adjustment of Rs. 235.33 crore to the general reserve consequent to the transitional provisions of Accounting Standard -15 (Revised) (Employee Benefits) and iv) an amount of Rs.1500/- crore has been transferred from Profit & Loss account to General Reserve.

Debt Equity Ratio



3. Loans Funds

	Figures in Rs. Crore	
	2006-07	2005-06
Secured Loans	0.00	500.00
Unsecured Loans	89.33	58.24

Secured loan of Rs. 500 crore towards bonds were redeemed during the year and repaid on its maturity. Unsecured Loan represents assets taken on lease.

4. Fixed Assets

	Figures in Rs. Crore	
	2006-07	2005-06
Gross Block	4135.05	3822.06
Less: Depreciation/amortisation	3117.05	2852.76
Add:/(Less): Lease Adjustment Account	-29.26	12.98
Net Block	988.74	982.28
Capital Work-in-Progress	302.54	184.57

Gross Block and capital Work in progress increased by Rs. 312.99 crore, and Rs. 117.97 crore during the year due to Capital expenditure incurred on ongoing capacity augmentation programme at various manufacturing units and the erection and commissioning facilities at project sites.

5. Investments

	Figures in Rs. Crore	
	2006-07	2005-06
Long Term Trade Investments	8.29	8.29

There was no change in the Investments during the year.

6. Deferred Tax Assets

Figures in Rs. Crore

	2006-07	2005-06
Deferred Tax Assets	935.16	673.72

Deferred Tax assets has increased by Rs. 261.44 crore to Rs. 935.16 crore as on 31.3.2007. The increase is mainly on account of timing difference for certain category of expenses including additional provision on account of AS-15 (R) Employee Benefits.

7. Inventories

Figures in Rs. Crore

	2006-07	2005-06
Inventories	4217.67	3744.37

Inventory increased by Rs. 473.30 crore or 12.64% over previous year in tune with the increase in volume of operations. In terms of days of turnover, it has decreased from 94 days in 2005-06 to 82 days in 2006-07.

8. Sundry Debtors

Figures in Rs. Crore

	2006-07	2005-06
Sundry Debtors	9695.82	7168.07

Debtors in absolute terms increased by Rs. 2527.75 crore mainly due to increase in turnover. In terms of day of turnover it increased from 180 days in 2005-06 to 189 days in 2006-07.

9. Cash and Bank Balances

Figures in Rs. Crore

	2006-07	2005-06
Cash & Bank Balances	5808.91	4133.97

The cash and cash equivalents have increased from Rs. 4133.97 crore in 2005-06 to Rs. 5808.91 crore in 2006-07 reflecting the sound liquidity of the company.

10. Loans and advances & other Current Assets

Figures in Rs. Crore

	2006-07	2005-06
Loans & advances	1140.87	1199.87
Other Current assets	199.70	84.50

Loans & advances have decreased by Rs 59 crore. Other current assets represent interest accrued on bank deposits and investments.

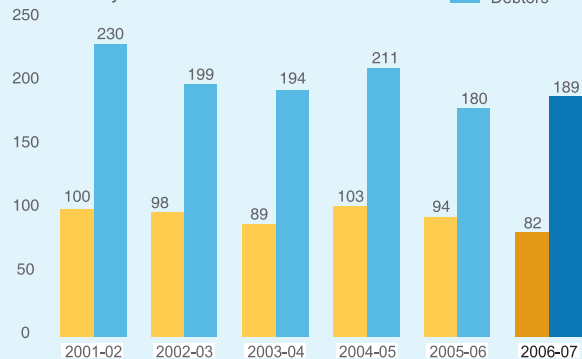
11. Current Liabilities & Provisions

Figures in Rs. Crore

	2006-07	2005-06
Current Liabilities	11897.87	8807.74
Provisions	2522.24	1512.28
	14420.11	10320.02

Inventory / Debtors

in no. of days of turnover



The increase in current liabilities is due to increase in advances received from customers by Rs. 2096.38 crore.

Increase in provision was mainly due to increase in post retired medical benefits and also due to the transitional provisions of AS-15 (R).

12. Turnover

Figures in Rs. Crore

	2006-07	2005-06
Gross Turnover	18738.95	14525.49
Less: Excise duty & service Tax	1501.42	1151.46
	17237.53	13374.03

Turnover increased by 29.01% during the year, Power segment and industry segment contributed 73.56% and 26.44% respectively for the total revenue of the company.

13. Other Income

Figures in Rs. Crore

	2006-07	2005-06
Other operational Income	376.80	276.90
Misc/Other income	128.59	109.77
Interest Income	318.17	160.25
	823.56	546.92

The increase is on account of additional interest income and other operational income such as export incentives, scrap etc.

14. Consumption of Material, Erection & Engineering Expense

Figures in Rs. Crore

	2006-07	2005-06
Consumption of Material, Erection & Engineering Expenses	10181.86	8146.52

The increase in Consumption of Material, Erection & Engineering Expense by Rs. 2035.34 crore or 24.98% was on account of increase in Turnover / volume of operation.

15. Employees Remuneration & Benefits

Figures in Rs. Crore		
	2006-07	2005-06
Employees Remuneration & Benefits	2368.95	1878.51

Employees Remuneration & Benefits increased by Rs.490.44 crore or 26.11% during the year compared to the previous year. Apart from normal increase the changes in method of accounting of certain employee benefits due to implementation of AS-15 (R) has also contributed to the increase. This also includes the expenses on distribution of mementos to employees to commemorate the golden jubilee of our Bhopal unit.

16. Other Expenses of manufacturing, Administration, Selling & Distribution

Figures in Rs. Crore		
	2006-07	2005-06
Manufacturing, Administration, Selling & Distribution	1496.11	1170.05

The increase is in line with the increase in volume of operation.

17. Provisions

Figures in Rs. Crore		
	2006-07	2005-06
Provisions (Net)	171.86	282.75

The reduction in provisions (net) in 2006-07 indicates higher level of withdrawal of provisions on account of resolutions of disputes, write offs etc.

18. Interest and other borrowing costs

Figures in Rs. Crore		
	2006-07	2005-06
Interest and other borrowing costs	43.33	58.75

The decrease in interest cost was due to repayment of bonds on its maturity in November, 2006.

19. Depreciation

Figures in Rs. Crore		
	2006-07	2005-06
Depreciation	272.97	245.93

The increase in depreciation by Rs. 27.04 crore was on account of increase in Capital investments.

20. Provision for Taxation

Figures in Rs. Crore			
		2006-07	2005-06
Income Tax	- Current Year	1421.00	1019.05
	- Earlier Years	14.30	3.58
Deferred tax		(-)162.93	(-)155.44
Fringe Benefit Tax		49.00	18.00
		1321.37	885.19

Tax liability has been provided as per the provisions of Income Tax. The increase in Income Tax was due to increase in the taxable profit for the year. The effective tax rate was 38.03% in 2006-07 as against 39.74% in 2005-06.

The increase in fringe benefit tax was due to increase in certain employee benefits.

21. Net Profit after Tax

Figures in Rs. Crore		
	2006-07	2005-06
Profit after Tax	2414.70	1679.16

The Net profit for the year rose by Rs. 735.54 crore or 43.80%.

21. Dividend

The company has paid interim dividend of 125%, Rs.305.95 crore, on share capital of Rs. 244.76 crore during the year 2006-07. The Board has recommended a final dividend of 60% Rs.293.71 crore on the enhanced paid up share capital consequent to 1:1 bonus issue, equivalent to 120% on the pre bonus equity share capital for the year 2006-07.

The total dividend payment for the year 2006-07 is Rs. 599.66 crore (exclusive of dividend tax) as against Rs. 354.90 crore in the previous year.

Provision of Rs. 49.92 crore has been made for corporate dividend tax on the final dividend proposed. Corporate dividend tax of Rs. 42.91 crore has already been paid on the interim dividend.

22. Transfer to General Reserve

Rs. 1500 crore has been transferred to General Reserve for the year 2006-07 as against Rs.1200 crore in 2005-06.

Power Sector



BHEL's first indigenously-built 500 MW thermal set completed 20 years of successful operation at Singrauli STPS of NTPC

B. PERFORMANCE OF BUSINESS SEGMENTS

POWER SECTOR

Orders worth Rs. 27730 crore were booked by the Power Sector for supply and installation of 9724 MW for supply of generating equipment and also for spares & services. This is the highest ever orders booked by Power Sector, in any financial year, in financial and physical terms.

The above includes orders for supply & installation of 12 Nos of 500 MW sets and 12 Nos of 195/250 MW sets and orders worth Rs. 3218 crore towards Spare & Services business, highest ever in any financial year, in financial and physical terms.

Following are the significant orders for main equipment

COAL (8925 MW)

(a) Turnkey Orders:

- 2x500 MW Mejia Phase II of Damodar Valley Corporation (DVC)
- 1x250 MW Budge-Budge Unit-3 (Civil without Chimney & Switch Yard) of Calcutta Electricity Supply Co. (CESC)
- 1x250 MW Santaldih from West Bengal Power Development Corporation Ltd. (WBPDCCL)

(b) EPC Orders

- 1x500 MW Bellary Unit 2 of Karnataka Power Corporation Ltd. (KPCL)

(c) Power Plant Packages

- 2x490 MW NCTPP Stage II, 1x500 MW Farakka Stage III and 2x500 MW Simhadri of National Thermal Power Corporation (NTPC)
- 250 MW each New Parli & Paras Expansion (BTG with electricals) of Maharashtra State Power Generation Corporation Ltd. (MSPGCL).
- 1x500 MW Khaperkheda Expansion & 2x500 MW Bhusawal Expansion (BTG with Electricals) of MSPGCL
- 2x250 MW Paricha Expansion & 2x250 MW Harduaganj Expansion (Including Civil) of Uttar Pradesh Rajya Vidyut Utpadan Nigam (UPRVUN)
- 1x250 MW Raichur of KPCL

- 1x250 MW Trombay of TATA Power Company
- 1x250 MW Suratgarh & 1x195 MW Kota of Rajasthan Rajya Vidyut Utpadan Nigam Ltd (RRVUNL)
- 1x500 MW Kothagudem Stg VI of Andhra Pradesh Power Generation Corporation (APGENCO)

Other Thermal Orders:

In addition to above, order for restart of Block II (740 MW) of Ratnagiri Gas & Power Pvt. Ltd.(RGPPL) was received during the year.

HYDRO (799 MW Excluding pump motor sets of 180 MW)

- 4x130 MW Parbati-III of National Hydro Power Corporation Ltd. (NHPC)
- 2x25 MW Nagarjunasagar TP Dam, 1x9MW Pochampad and 4x30 MW Pulichintala of APGENCO
- 3x33.3 MW UHL-III of Himachal Pradesh State Electricity Board (HPSEB)

(Other Hydro Orders: Pump Motor Sets for Irrigation Canal Lift System)

- 5x30MW Kalwakurthy St.III Pump-Motor Sets from Gammon India
- 4x7.5MW Koil Sagar St.I & II Pump-motor sets from IVRCL Infrastructure Ltd. for Irrigation Schemes of Andhra Pradesh Irrigation Deptt.

SSBG :

Orders worth Rs. 2834 crore for supply of Operation & Maintenance (O&M) spares and R&M Equipment as well as Rs 384 crore orders for services works including PPIB were received. This is the highest ever order received in SAS area in a year.

PLANT PERFORMANCE IMPROVEMENT AND RENOVATION & MODERNISATION ORDERS

Plant Performance Improvement (PPI) orders for uprating of 5 units of Obra of 200 MW to 216 MW each, 2 units of Bhatinda TPS from 110 MW to 120 MW each, 5 units of Rihand HEP from 50 MW to 55 MW each were received during the year.

Order for uprating of 5 units of Obra of 200 MW each to 216 MW was not only the largest Renovation & Modernisation (R&M) in the country but also the first order for uprating of 200 MW sets.

Orders for Renovation & Modernisation (R&M) of 2x120 MW units at Gandhinagar TPS was also received during the year.



India's largest power station, 3,200 MW Vindhyachal STPS, equipped with 4 BHEL sets of 500 MW each

COMMISSIONING:

Power sector commissioned a record 49 sets totaling 7593 MW during the year within the country and abroad. This includes 20 domestic BHEL utility sets totaling 4041 MW. With this, BHEL built sets now account for 80781 MW, which is nearly 65% of Country's total installed capacity. Thermal sets commissioned during the year were Paricha - 4 (210 MW) & Unchahar-5 (210 MW) in Uttar Pradesh, Vindhyachal-9 & 10 (2x500 MW) in Madhya Pradesh, Korba (E)-1(250 MW) in Chattisgarh, Rayalseema - 3 (210 MW) in Andhra Pradesh, Parli-1(250 MW) & a Nuclear set TAPP-3 (540 MW) in Maharashtra, Giral (125 MW) & Dholpur GT-1(110 MW) in Rajasthan, Mejia - 5 (250 MW) in West Bengal and Kahalgaon - 5 (500 MW) in Bihar. Hydro sets namely Larji HEP (3x42 MW) in Himachal Pradesh, Bansagar HEP (2x10 MW) & Madhikheda HEP (2x20 MW) in Madhya Pradesh and Sadar Sarovar - 6 HEP(200 MW) in Gujarat were also commissioned.

In addition to above BHEL commissioned 8 sets totaling 1332 MW abroad Viz Gas based sets of (2x156 MW) at Western Mountain in Libya & 6 Hydro sets of 170 MW each at Tala in Bhutan. 14 Industrial sets of 480 MW were commissioned by Power Sector during the year. BHEL also erected & commissioned 7 Non BHEL make sets i.e. Ratnagiri Block II (740 MW) and 4 sets of 250 MW each at Tehri Hydro Plant.

PERFORMANCE OF BHEL UTILITY SETS

Performance of BHEL thermal sets during the year was best ever and better than the national average :

- BHEL Thermal sets achieved the highest ever Plant Load Factor (PLF) of 78.3% an increase of 3.4% over last year and 1.5% higher than National Average of 76.8%.

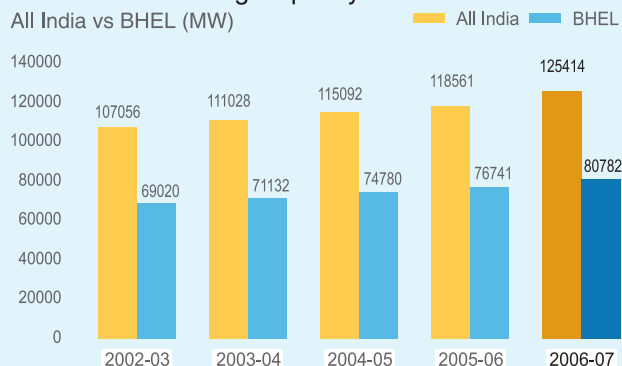


Inoperative since the last 6 years, 740 MW Ratnagiri Block II (Dabhol) was commissioned by BHEL

- 195/200/210/250 and 500 MW BHEL thermal Sets which jointly form the backbone of Country's Thermal Power Generation generated 330635 MUs with peak performance and achieved highest ever PLF of 83.5%. The combined O.A. of these sets at 88.7% was also highest ever.
- 500 MW and 250 MW BHEL thermal sets recorded PLF of 83.9% and 92%, highest ever respectively during the year.
- 184 BHEL supplied Thermal sets (65% of total BHEL supplied sets in the country) achieved PLF of over 70%. Of these, 77 sets registered PLF of over 90%. 62 sets achieved PLF between 80% - 90% and 45 sets achieved PLF between 70% - 80%.
- 6 thermal sets achieved PLF above 100% viz. Dahanu-2, Vindhyachal-8, Sabarmati Ext.-1, Korba STPS-4, Unchahar-2, Dadri-4.
- BHEL Coal Sets registered the Operating Availability (O.A.) of 84.7%.
- 124 Thermal Sets of BHEL make achieved O.A. higher than or equal to 90%. 4 sets had O.A. of 100%.
- 151 BHEL Thermal Sets clocked uninterrupted operation for more than 90 days during the year, out of which:
 - 44 sets ran twice continuously for more than 90 days.
 - 30 sets ran continuously for more than 200 days
 - Talcher 3 (500 MW) and Vindhyachal 8 (500 MW) ran continuously for one year without break.

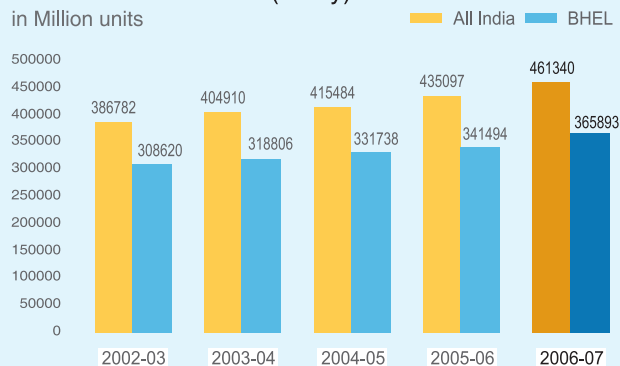
Installed Generating Capacity

All India vs BHEL (MW)



Generation Coal Sets (Utility)

in Million units



BHEL continued its endeavour to render efficient customer service aimed at facilitating uninterrupted power supply and keeping power plants in good running condition. During the year, Power Sector overhauled 126 thermal utilities and

industrial sets including 3 non BHEL sets covering various products e.g. Boilers, TGs and Auxiliaries. 29 Hydro sets were also overhauled during the year.



Industry Sector



Industry Sector achieved the highest ever order-booking of Rs 6010 crore in FY 2006-07 against Rs 4728 crore recorded in the previous year.

■ **The major orders for Captive power plants include:**

- 99 MW CPP from Bharat Oman Refinery, Bina (MP), on LSTK basis which is the single largest order secured by CPP group. This is for the first time in India that a power plant based on 100% pet coke is being set up. BHEL has now become a proud member along with only two other international companies with the capability to engineer and supply 100% pet coke fired CFBC boilers by securing this prestigious order.
- 21 MW Cogeneration plant comprising Fr 5 Gas Turbine and 80 TPH HRSG for Bongaigon Refinery.
- 1xFr5 GTG based Cogeneration plant on LSTK basis for IOCL Haldia Refinery-Phase III in West Bengal.
- 1x80 MW BTG Package from Hindustan Zinc Limited in Rajasthan.
- Fr. 9E GTG set from Essar Group at Hazira, Gujarat .
- 3x36.8 MW STG for CPP at IOCL Panipat, for L&T.
- 1x120 MW BTG set for Tata Jojobera Unit 5 and for 1x120 MW STG set for TISCO's phase 6 expansion at Jamshedpur from Tata Power Co. Ltd.
- 1x150TPH AFBC Boiler for Jai Prakash Industry Ltd for their Chunar Plant in Uttar Pradesh.
- 1x48 MW STG set for Shriram Alkalies and Chemicals in Gujarat.
- 2x15 MW STG set for ACC Ltd, Bargarh in Orissa.
- 135 TPH CFBC Boiler for Gujarat Ambuja Cements Ltd., Ambujanagar in Gujarat.
- 1x125 TPH AFBC Boiler for Jaiprakash Associated Ltd for their Dalla Cement Plant in Uttar Pradesh.
- 1x25 MW STG set for ACC Ltd, Wadi in Karnataka
- 1 x 40 MW STG set for Thermax Ltd. for Crescent Power Ltd. West Bengal.

■ **Transportation business:**

Major Orders Secured:

- Traction electrics for 3-phase 6000 HP electric Locos.
- 91 sets of traction electrics for EMU/MEMU.
- Traction electrics for Diesel Electric Locos.
- 17 nos. Shunting Locomotives.

■ **Industrial products business :**

The major orders secured are:

- Industrial Products (Electrical)
- All time high order for 1301 nos motors booked. This includes orders for HT motors from major Cement manufacturers like Grasim, JP, ACC, GACL etc and special large sized slow speed pressurized synchronous motors (3450kW/18P) for refineries.

- New H Compact series energy efficient HT motors introduced. Orders for 25 nos procured and commercial production started by Bhopal.

□ Industrial Products (Mechanical)

- Order for Recycle Gas compressor from Bharat Oman Refinery at Bina in Madhya Pradesh.
- Order for BCL406B + ST Recycle gas compressor from IOCL Haldia, West Bengal through M/s Punj Lloyd.
- All time high order-booking of Well Heads and X-Mas tree valves.

■ **Transmission Business:**

The major orders won against competition from national/ international players are as follows:

□ Secured order for +/- 500 KV 2500 MW Balia- Bhiwadi HVDC Project from POWERGRID.

□ Major orders for EHV Substations / Switchyards :

- Orders secured from PGCIL 400/220 kV Wardha Substation (New) and extensions of 400 kV Substations at Seoni, Akola and Aurangabad under Sipat Stage-II Supplementary Transmission System.
- An order from WBSEB for extension / refurbishment of 400 kV Substation at Durgapur.
- An order secured from Power Grid Corporation of India Limited for 400 kV Agra, Bhiwadi & Moga substation extensions with shunt reactors associated with NR System Strengthening Scheme-V.
- UPPCL : an order for setting up 220 kV Substations at Rampur and Gajraula.

Following Orders received in the area of new indigenous technologies in Transmission:

- First commercial Order for 145 kV GIS from APTRANSCO.
- First commercial Order for 1x80 MVAr Controlled Shunt Reactor at Karad from MAHATRANSCO.

Major Orders received for transformers are:

- 15 nos. 100 MVA, 220 kV Auto Transformers to KPTCL.
- 2 nos. 315 MVA Generator Transformers, 1 No. 315 MVA Auto Transformer, 2 Nos. 50 MVAr Shunt Reactors, 2 Nos. 50 MVA Station Transformers & 4 Nos. 20 MVA Unit Auxiliary Transformers from Punj Lloyd's for RRVUNL, Chhabra project.
- 12 nos. Power transformers and Reactors to PGCIL.
- 3 nos. Power transformers to NTPC.
- 1070 nos. 11 KV VCB Kiosks to various Rajasthan State Govt Distribution companies.

■ **PM&CR – CPP Project Commissioning Highlights:**

- 750 MW CPPs commissioned in 2006-07 as against 523 MW in the previous year, a growth of 43%.

International Business



600 MW Gas turbine-based Western Mountain Power Project in Libya, set up by BHEL on turnkey basis

- In International Business, BHEL secured physical export orders of Rs. 1903 crore during the year in comparison to an average yearly order book of Rs.1275 crore of the last five years.

- ◆ The year witnessed significant steps towards globalization with the receipt of orders for Power Equipment for over 900 MW of power projects and 5600 MVA of transformer capacity, highest ever, in the Transmission sector overseas, spread over ten countries besides successful forays in host of new market segments.

■ Major Achievements during 2006-07

- During the year BHEL secured following prestigious orders:

- ◆ Second export order for Gas Turbine based power plant secured for 240 MW Gas Turbine Power Plant at Siddhirganj, Bangladesh from Electricity Generation Company of Bangladesh on EPC basis. This project is funded by the Asian Development Bank. The earlier order for a 120 MW Gas Turbine Power Plant at Baghabari was successfully executed by BHEL and the plant is giving excellent performance for the last five years.
- ◆ A major breakthrough in IPP segment was achieved by securing an order from MJI, Jordan for 500 MW Gas Turbine based Power Plant on EPC basis.
- ◆ BHEL secured its first overseas order for Gas Turbines for Co-generation application with capacity of 2x26 MW, for Oman Refinery Company, Oman.
- ◆ First-ever export order from Tajikistan for R&M & upgrading of 2x3.7 MW Varzob Hydro Project secured from Barji Tajik, Tajikistan. This is a maiden order from Tajikistan.
- ◆ First-ever order for Compressors from France secured from Grande Paroisse, France (a Total Group Company); this is the first order for compressors from a European company for a Urea Plant in France and will help BHEL in creating a reference for compressors in Europe.
- ◆ Largest export order for Transformers – 14 nos. 220 kV, 125 MVA & 9 nos. 220kV, 125 MVA Transformers secured from EETC, Egypt. This is the single-largest transformer order secured by BHEL and also the first order for transformers from Egypt.
- ◆ First-ever export order for a Substation from Afghanistan for 220kV Kabul Substation secured from Power Grid Corporation of India Ltd.
- ◆ First-ever export order for Substations from Bangladesh for 220 kV Baghabari & Ishurdi

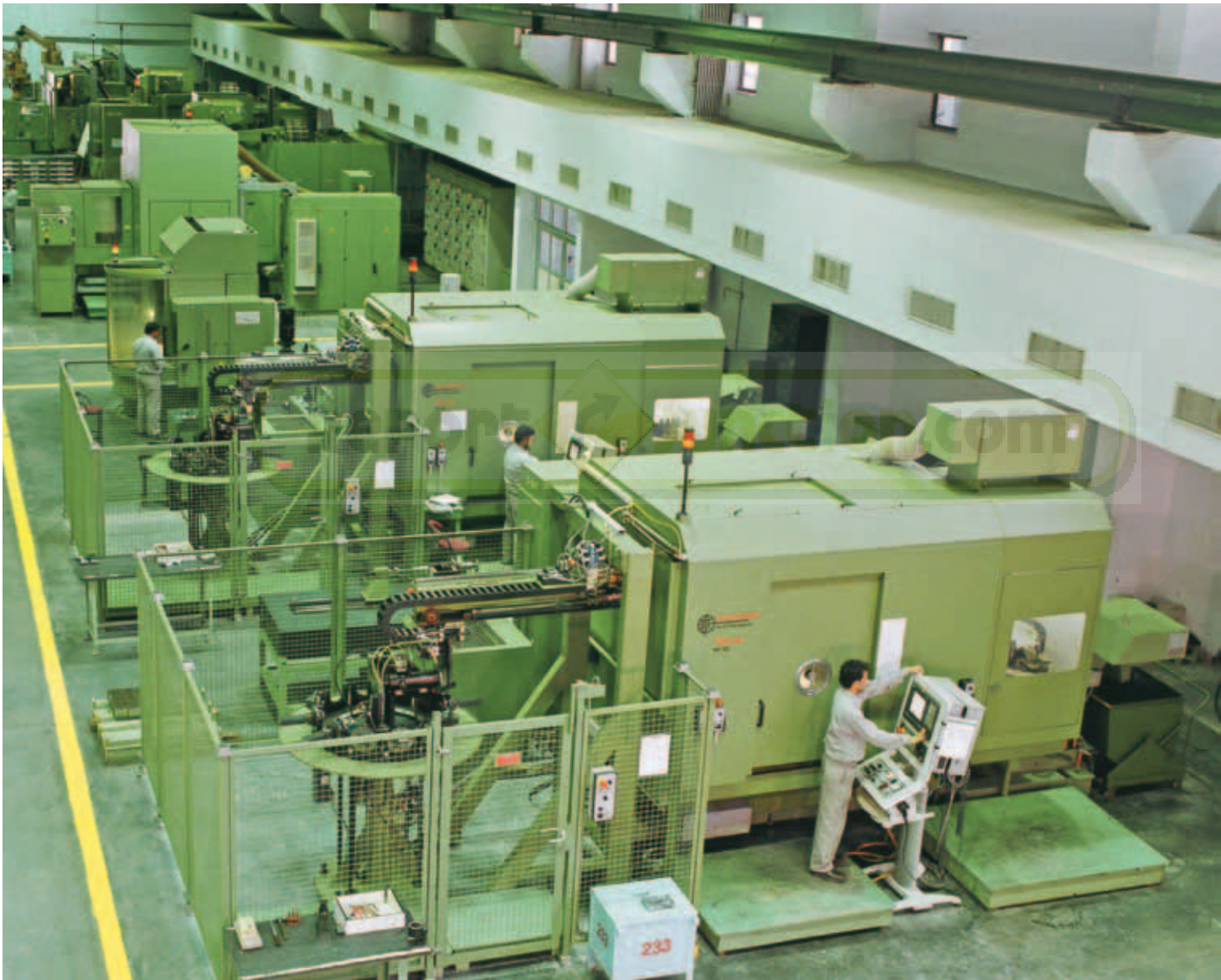
Substations order secured from Power Grid Corporation of Bangladesh Ltd. The project is funded by Asian Development Bank.

- ◆ Second consecutive export order from Ethiopia for 220kV substations secured from EEPKO Ethiopia strengthening BHEL's presence in Ethiopia. This project is being financed through Kuwait-fund.
- ◆ First export order for transformers from Sudan – 6 nos. 220 kV, 100 MVA transformers and 2 nos. 15 MVAR Reactors for NEC Sudan's Singa Gadaref Transmission line project.
- ◆ First export order for Solar Systems received from Sweden – the order from PV Enterprise, Sweden is the maiden order for PV modules from Sweden. Also, largest export order for Solar Systems secured from S.E. Projects, Italy.
- ◆ First export order from Oman for Wellheads secured for Daleel Petroleum Company.
- ◆ Other notable export orders include rehabilitation of Devighat Hydro Power Plant (3x4.7 MW), Nepal and repeat orders for Shunt Reactors & Instrument Transformers from Greece.
- ◆ Continued focus on After-Sales Services led to orders for spares & services from Oman, Indonesia, Kazakhstan, Germany, Libya, Philippines, Surinam, Malaysia and Sri Lanka.

● Execution of Major overseas orders:

- ◆ In the area of overseas project execution, a significant landmark was achieved with the commissioning of the remaining two Gas Turbine generating units at the 600 MW Western Mountain Power Project in Libya. With this, the Western Mountain Project has become the highest capacity Gas-based power station, erected and commissioned by BHEL. Significantly, the Turbines exceeded the guaranteed performance in the performance tests.
- ◆ Successfully supplied and commissioned 1x25 MVA & 1x15MVA transformer for NVEBS Suriname, creating maiden reference in South America.
- ◆ Commissioned largest single phase transformer bank of 405 MVA capacity overseas with 3 x 135 MVA single phase transformers in Zambia for generation. Supply of all 10x135 MVA Transformers successfully completed.
- ◆ 6th Unit of 120 MW Tripoli West Power Station, Libya successfully overhauled. The unit supplied by BHEL in 1970s' is giving excellent performance even today.

Capital Investment



Ultra modern blade shop at BHEL's Haridwar plant



World-class facility for assembly of critical electronic modules used in advanced automation systems for power plants at Electronic Division, Bangalore

C. CAPITAL INVESTMENT

- CAPITAL INVESTMENT FOR THE YEAR 2006-07:

BHEL has incurred a capital investment of Rs. 362 crore during the year 2006-07 towards augmentation of manufacturing capacity and modernisation of the facilities, in manufacturing units and at power project sites. Out of this, an investment of Rs. 325 crore was made towards acquiring latest "state of the art" manufacturing facilities for increasing production capacity and upgrading the process technology of various products in various manufacturing units and Rs. 37 crore was for modernizing and upgrading tools & plants at various power project sites towards capability building for the enhanced erection load & shorter commissioning schedules. In addition, an amount of Rs. 42 crore was spent on re-building of existing assets to enhance their life, accuracy and productivity.

- CAPITAL INVESTMENT DURING 10th PLAN:

During the 10th plan period (Ended on 31.03.07), BHEL has geared up to meet the anticipated market growth and accordingly manufacturing capacity expansion programme from existing 6000 MW to 10000 MW / Annum was taken up with a total capital expenditure of Rs 916 Crore. Various capital schemes of major thermal, Gas and Hydro products have completed /

under advance stage of completion. With this expansion BHEL is fully geared up to supply Steam Turbine/ Generator sets upto 800 / 1000 MW and matching sub critical / supercritical boilers and associated equipments etc.

- CAPITAL INVESTMENT PLANNED DURING 11th PLAN:

During the 11th plan, BHEL has embarked upon a very ambitious plan of enhancing manufacturing capacity from 10000 MW to 15000 MW / Annum with a total investment of Rs 3200 crore. Of this, Rs. 2414 crore will be spent to upgrade facilities and augment



State-of-the-art Instrument Calibration Centre at Noida established as part of ongoing capability upgradation and capacity expansion programme

capacities of manufacturing units and Rs. 786 crore for addition of power plant site facilities. Besides capacity augmentation of existing products in the areas of Thermal, Gas, Hydro and Nuclear, other major areas of investment include the facilities for Nuclear Turbines up to 700/1000 MW, Advance Class Gas turbines (9FB), 765 KV transformers and other associated distribution and transmission equipments, Capacity augmentation of transformers from 20500 MVA to 38500 MVA etc.

D. JOINT VENTURES

The two Joint Venture Companies promoted by BHEL viz. "BHEL-GE Gas Turbine Services Ltd." (BGGTS) with GE, USA for repair & servicing of GE designed Gas Turbines and "Powerplant Performance Improvement Ltd." (PPIL) with Siemens AG, Germany for plant performance improvement of old fossil fuel power plants, have now completed nine full financial years of operation.

a) BGGTS

BGGTS achieved a sales turnover of Rs. 294 crore during the year 2006-07 with a profit after tax of Rs. 37 crore. Orders for Rs 297 crore were booked by BGGTS during the year. BGGTS successfully completed gas turbine servicing comprising of a total of 58 nos Major Inspections, Hot Gas Path Inspection and Combustion Inspection for various customers like Pragati Power, NTPC-Kawas, TNEB, RIL-Jamnagar, ONGC-Hazira, GIPCL-Baroda etc besides supplying spare parts to various customers. BGGTS also secured export orders for repair of FR 6 and Fr 9 gas turbine components and an order from BPDB, Bangladesh to rehabilitate Fr 9 gas turbine unit. During the year 2006-07, BGGTS paid two interim dividends totaling to 510%. BGGTS has also successfully completed re-certification audit done by DNV and the ISO 9001, ISO 14001 & OHSAS 18001 certification has been extended till 2009 for the repair facility.

b) PPIL

After completing the refurbishment of the 5 units at DPL, Durgapur, PPIL has achieved closure of the contract during the year. Settlement of outstanding issues and collection of withheld payments for other contracts like KTPS/ Kothagudem and CSEB, Korba have also progressed. In spite of various programmes initiated by Govt. of India encouraging R&M of old thermal power plants, the business in this area has not materialized in the country, to the extent envisaged at the time of formation of PPIL. This has resulted in the declining performance of PPIL over the years.



Centre of Excellence for Surface Engineering, set up as part of continuous effort to develop new cutting-edge technologies and manufacturing process through R&D

E. R&D AND TECHNOLOGICAL ACHIEVEMENTS

During the year, a turnover of Rs. 2720 crore was achieved by commercialising products and systems developed through in-house R&D. Credit for products and systems which have been commercialized during the last five years only has been taken.

An amount of Rs. 253 crore was spent on R&D activities during the year. Of this, Rs. 244 crore was spent on revenue expenditure, focusing on new product and system developments and improvements in existing products for cost effectiveness and higher reliability, efficiency, availability, quality, etc. In addition, an expenditure of Rs.8 crore has been incurred for purchase of capital assets for R&D.

Some significant developments carried out during the year are as follows:

- To reduce system losses, enhance power transfer capability and improve system stability of high-voltage (400kV) transmission lines, the first-of-its-kind in the world Controlled Shunt Reactor(CSR) developed indigenously by BHEL, has met with commercial success in the form of the first order from Maha Transco. This product offers better value of all high-voltage transmission line owners.
- To help extend the range of exciters for meeting customer requirements, a maintenance-free and more reliable Brushless Exciter has been designed, developed and manufactured for a 16 MW Hydro Generators. BHEL is in a position to offer such exciters for higher capacity Hydro Generators also.
- As part of its endeavor to offer quality products conforming to international standards to its customers, BHEL has for the first time, designed and developed an 1100 kW Flameproof Squirrel Cage Induction Motor with Sleeve-Bearing against an export order from PDO, Oman. The motor has successfully passed explosion tests at CMRI,



Controlled Shunt Reactor, the first-of-its-kind in the world developed in-house by BHEL

Dhanbad, in the presence of experts from the European statutory testing agency, BASEEFA, U.K.

- Aimed at increasing passenger hauling capacity by eliminating the need for separate generator coaches, thereby resulting in better economics, BHEL has for the first time, designed and developed a new generation 320 kW, Traction Alternator with Hotel Load Companion Alternator to be used on Indian Railways' 3600 HP BG Diesel Electric Locomotives.
- As part of its customer-centric technology upgradation process, BHEL will equip its 250 MW steam turbines with the state-of-the-art Electro Hydraulic Activator (EHA) based high pressure governing system. Two variants of the new design have been developed, one each for conventional and combined cycle power plants.
- With a view to enhancing value for customers in the steel sector, BHEL has designed for the first time a XRS 943 Bowl Mill for installation in the blast furnace, which results in saving precious coke as well as facilitates longer wear life for rollers.
- For the benefit of its customers for ensuring continuous and reliable flame monitoring in boilers, an advanced digital flame scanner based on microcontroller technology was developed by BHEL. The prototype system – 'BHELSCAN', extensively site-tested at two power plant sites, has been qualified by Canadian Standards Association International, a World Leader in product testing and certification, for award of the 'Certificate of Compliance' to International Standards requirements.
- As part of BHEL's efforts to provide modern, safe and more efficient transportation solutions, a state-of-the art, in-house developed IGBT based three-phase drive system for 700 HP Diesel electric locomotives has been tested comprehensively. The system incorporates features like intelligent drivers display, speed and excitation control of diesel engine, fail safe, data logging and high speed communication links for fast and reliable data transmission.
- To provide more efficient and durable products to its customers, BHEL has developed technology for manufacture of Composite Insulators with improved properties by adding nano materials, propelling the Company as a leader in the manufacture of 400 kV long rod insulators in the country. Silicone-based rubber, a primary raw material for composite insulators has been modified by in-house developed nano materials in order to enhance the erosion tract resistance of the insulators. A developmental order has been received from Power Grid for supply of 400 kV long rod insulators.
- In conformity with BHEL's concern for society and environment, a more energy efficient single cylinder non-reheat steam turbine for 100-140 MW application has been developed, suitable for plants where large amounts waste heat is available and reheat option is not feasible. This is the largest single cylinder steam turbine engineered so

far by BHEL. The design can be customized to meet specific plant requirements. A commercial order has already been received from TISCO for a 120 MW turbine.

- As part of its efforts to provide maximum value to its customers, BHEL has designed and developed an upgraded cartridge which improves performance, saves power and enhances the life of old Boiler feed pumps. Orders have been received for the same from GSECL's Ukai & Gandhinagar TPS. Potential for similar performance upgradation of another 125 old pumps exists in the country.

F. HUMAN RESOURCE MANAGEMENT

1) Industrial Relations

Thrust on participative culture continued during the year and the Industrial Relations in various Units and Service Divisions of the Company remained harmonious and cordial. A special Session of the apex level bipartite forum namely "The Joint Committee for BHEL" was held in Workshop format for two days in April, 2006. The main theme of the Workshop was "Increasing Effectiveness of the Employees". The Workshop was to familiarize the workers about the targets and challenges being faced by the company and how they can contribute towards meeting these challenges. The leaders of the Central Trade unions and Union representatives from all the Units of BHEL participated very enthusiastically in the Workshop. Presentations on various issues concerning the economic and business environment and the challenges before the Company were discussed. Syndicate Groups formed during the meeting on different topics gave valuable suggestions and recommendation concerning effective utilization of men and machinery. Copies of the presentations made and recommendations of the Syndicate Groups were shared with the employees at the grass root level in all the Units.

Apart from the above Workshop, two more meetings of the Joint Committee were held during the year. Similarly, 70 meetings of the Plant Councils and 361 meetings of the Shop Councils were held during the year in various Units of the Company.

2) Awards won by BHEL Units and Employees

- ❖ Prime Minister's Shram Awards (2004) (given by Ministry of Labour)

Prime Minister's Shram Awards are given to workmen in Private and Public Sector of central & state Govts. in recognition of their distinguished performances, innovative abilities, outstanding contribution in the field of Productivity and exhibition of exceptional courage and presence of mind.

Among Public & Private Sector companies in the country, BHEL employees have won maximum number

of Prime Minister's Shram Awards (2004). Significantly, the only 'Shram Bhushan' awarded for the year has been won by BHEL employee. In addition, seven Shram awards have been won by 13 employees of BHEL from its units located at Trichy, Hyderabad, Haridwar and Bhopal.

- ❖ Vishwakarma Rashtriya Puraskar (given by Ministry of Labour)

Vishwakarma Rashtriya Puraskars are given to recognise outstanding contribution made by a worker or a group of workers in an organization through his/her/their suggestions to improve Productivity.

Eight employees of BHEL Haridwar unit have won three awards during 2006-07. A total of 28 Vishwakarma Rashtriya Puraskars were declared by Ministry of Labour.

- ❖ National Safety Awards (given by Ministry of Labour)

National Safety Awards are given to recognise good safety performance on the part of Industrial understanding and to stimulate and maintain interest of both the management and the workers in accident prevention programmes.

National Safety Awards in the winner category (Tiruchy-1 & EPD-1) have been won by BHEL during 2006-07.

- ❖ Energy Awards

Confederation of Indian Industries (CII) has awarded the prestigious "National Award for Excellence in Energy Management 2006" to SSTEP-Trichy for the energy conservation initiatives undertaken.

CFFP-Haridwar was honoured with "Best Energy Conservation Implementation Gold Award" under "Indira Gandhi Memorial National Award Series for Excellence in Indian Industries".

- ❖ Excel Awards

Excel Awards are given in-house to recognize, reward & place on record the outstanding contribution made by the employees towards growth & profitability of the company & to the society.

- ❖ IMPRESS Scheme

The 'IMPRESS' scheme was given special thrust to harness untapped potential in the organization for achieving higher efficiency in conversion of basic inputs like material and capital into saleable products and services. During the year, about 9500 improvement projects have been registered taking the total number to 23,700 since introduction of the scheme. Out of these, about 63% of the projects have been completed and implemented realising a savings of Rs. 177 crore during 2006-07 taking the total savings to Rs. 398 crore

since inception. 4885 Improvement Projects have been rewarded under IMPRESS during the year in various units.

3) Human Resource Development

Moving progressively from the stage of 'intermittent training', the Company is ushering in strategic HRD practices. The year 2006 – 07 has seen a number of initiatives taken in the HRD area with active involvement of top management.

Training conducted during the year - A total of 30,005 employees (including Engineer Trainees, Supervisory Trainees and Artisan Trainees etc) were exposed to different training programmes amounting to 11.04 training man-days per employee. As a part of our social commitment, over 4138 Act Apprentices and 1463 customer personnel were also trained at various units. Customer personnel belonging to organizations such as Sudanese Sugar Co., GAIL, NTPC, ONGC, BPCL, IOCL, GSECL, HPCL, BSES, MTNL, CPP, CPCL, IFFCO, TCL, RIL, PGCIL, various Electricity Boards & Power Corporations, etc. were given training in BHEL. Over 2200 Technical / Management students also underwent vocational training.

Some important HRDI initiatives taken up included -

1. In order to enhance the width and depth of skills of artisans, a pilot project on Multi-skill and skill upgradation training has been implemented at Jhansi Unit. This scheme is being extended to other units also.
2. A comprehensive system "Enhancing Effectiveness of training programmes through Systems" has been prepared by HRDI and issued to all the units for implementation.
3. An exercise for benchmarking the training processes of HRDI has been conducted recently by making a comparative study of training processes at various Public and Private Sector Institutes. HRDI training processes have come out as one of the best in the comparable institutions.
4. A Computer Based Training (CBT Module) on Leadership effectiveness has been prepared by HRDI.
5. HRD Council with the Unit Head as Chairperson has been constituted to give a fillip to HRD efforts in Units.
6. Identification of Developmental Competencies of all executives through e-MAP (Performance Management System) has been carried out. Training Plan of HRDI and Units for 2007 – 08 was made on the basis of this data.
7. Awards Received - Various Units received different types of Awards in Training And Development area. The following are the important ones –

- Trichy Received Best Establishment of the region in Apprentice Training Award from RDAT Under Ministry of Labour and Employment.

- BHEL, Bhopal received Two Silver Medals in Western Region Trade Apprentice Exam.

4) Manpower strength

The manpower strength of the Company as on 31.03.2007 was 42124.

5) Information regarding Presidential Directives

1. Activities of the company for welfare and advancement of SCs, STs and OBCs

The company has been following the Presidential Directives and guidelines issued by the Government of India from time to time regarding reservation for SCs, STs and OBCs in letter and spirit. During the year, various Community Development activities focused on socio - economic development of SCs, STs and OBCs have been carried out by BHEL in 56 adopted villages.

2 Representation of SC/ST/OBC employees

The representation of SC,ST and OBC employees in total manpower was 18.84%, 4.39% and 7.99% respectively as on 1st Jan, 2007.

The Annual Statement in the revised prescribed format showing the representation of SCs, STs and OBCs as on 1st Jan, 2007 and number of appointments made during the preceding calendar year, as furnished to the Government, is given at Annexure-A.

3. Manpower strength of Physically Challenged employees as on 1st Jan., 2007.

Presently a total of 528 Physically Challenged persons are employed in BHEL. The group wise manpower strength of Physically Challenged employees in the Company as on 1st Jan, 2007 is given at Annexure-B.

G) RIGHT TO INFORMATION ACT, 2005

- BHEL is a frontrunner in implementing the right to Information Act, 2005 in letter & spirit. A CPIO at the company level and 13 CPIOs for each of the administrative units within BHEL along with Appellate Authority is functioning as part of RTI.
- Proactive disclosures were made in line with Section 4(1) (b) of the Act through BHEL web site. Suitable guidelines have been placed on RTI web page on BHEL web site for convenience of the applicants, seeking information. Guidelines have also been issued to administrative units and the concerned senior official

to ensure compliance to the mandatory requirement of the Act.

- 341 applications were received, seeking information during the year 2006-07. All applications and first appeals received in BHEL have been disposed off within specified time frame, in line with the provisions of the Act.
- Training programmes have been organized regularly for better understanding of the provisions of the Act for the designated officers and other senior officials.

H. INTERNAL CONTROL SYSTEM

The company has put in place adequate internal control measures in major risk areas. These measures are in the form of various codes, manuals and procedures, issued by the management covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, Personnel etc. These codes, manuals and procedures are updated from time to time and are subject to strict compliance which is monitored by Internal Audit.

The company has full fledged Internal Audit Cells located at major manufacturing units and regional offices of the company which carry out audit as per annual audit programme approved by Director (Finance) / Board Level Audit committee. The internal audit department checks the adequacy and effectiveness of Internal Control Systems through regular audits, systems reviews and monitors compliance of various manuals and procedures. Functioning of Internal Audit and adequacy of Internal Control System is reviewed by Board Level Audit Committee which is supported by Unit Level Audit Committees.

I. MERGERS & ACQUISITIONS

BHEL has been actively pursuing an M&A strategy within the Navaratna guidelines. The company is looking at companies which offer access to new technologies and / or markets and also at opportunities to rapidly ramp up capacities to take advantage of the huge growth potential in its target markets. The company had modified the articles of association to equip itself to address such opportunities. A high level committee has been formed to appraise the Board on the subject.

The company has provided management support to BPCL (Bharat Pumps & Compressors Ltd.) and also discussing with GOI on takeover of BHPV (Bharat Heavy Plates & Vessels).

J. OPPORTUNITIES AND THREATS

World

As projected by International Energy Outlook 2007, the world demand for electricity is projected to advance strongly from 2004 to 2030. Global electricity generation will increase by 2.4 percent per year over the projection period. Much of the

growth in the electric power demand is projected for the emerging economies. Also, the mix of fuels used to generate electricity has changed a great deal over the past two decades on a worldwide basis. Coal has continued to be the fuel most widely used for electricity generation.

Internationally, the largest markets for power plant equipment continue to be in the Asia Pacific Region, North America, and Europe. Global economic growth and increasing investments in infrastructure in growing economies like China and India are expected to maintain the demand for global power plant equipment. Ageing of power plants worldwide will improve the opportunities for renovation & modernisation and up-rating of the existing plants. Increasing environmental concerns and resulting regulations are forcing equipment manufacturers worldwide to focus more and more on Clean Power with least or zero emissions.

Power Sector

The Indian economy witnessed robust growth during 2006-07 for the fourth year in succession. According to the advance estimates by the Central Statistical Organisation (CSO), real Gross Domestic Product (GDP) growth is expected to accelerate from 9.0 per cent in 2005-06 to 9.2 per cent in 2006-07. The acceleration in growth during 2006-07 was driven by the continued momentum in the services and manufacturing sectors.

To ensure that Indian economy marches at an accelerated pace and is not hindered by infrastructural constraints especially from the power sector, the Government has accorded a high priority to the development of infrastructure including power sector in the country and capacity addition in generation, distribution reforms and rural electrification are the topmost priorities of the Government of India.

The country is planning to add 78,000 MW in XI Plan and over 85,000 MW in XII plan period. This is going to provide continued growth opportunities for the company as power equipment is the major business of BHEL. As per the Report of the Expert Committee on Integrated Energy Policy, the projected requirement of installed capacity may go up to 9,60,000 MW by 2031-32 under a 9% GDP scenario.

All segments of power sector are experiencing positive movements. While Coal is likely to continue to be the dominant fuel for the next 20-25 years, Ministry of Power is also working on strategies to improve hydro- thermal mix and developing hydro power at a faster pace. The Nuclear energy generation is also likely to get a boost after signing of the Indo-US Nuclear Agreement.

T&D is now receiving a greater focus than ever before, as this sector has traditionally lagged behind the generation sector. Open access policy articulated in the Electricity Act would facilitate development of secure and economic national

and regional grids, and also build in redundancy levels and margins based on international standards and practices.

The emergence of Services sector, both in Generation and T&D areas, would provide a number of opportunities for BHEL in EPC, R&M, O&M, Overhauling, Power Plant Improvement Services etc.

Industry Sector

Industrial production continued its growth momentum during April-February 2006-07, with growth accelerating to 11.1 per cent from 8.1 per cent an year ago. Growth during April-February 2006-07 was the highest since 1995-96. The manufacturing sector remained the key driver of industrial growth. The robust performance of the manufacturing sector was largely led by 'Machinery and Equipments', 'Basic metal and alloy industries' etc.

The envisaged healthy GDP growth will promote growth in industry sector with increased activity in infrastructure sectors such as, Oil & Gas, Steel, Petrochemicals, refineries etc. These developments provide ample opportunities for capital equipment manufacturers like BHEL.

K. POSITIONING FOR THE FUTURE

- BHEL has crafted a 'Strategic Plan 2012' that will enable it's turnover to grow from US \$ 4 billion to 10 billion by 2011-12. The plan focuses on ensuring a sustainable profitable growth for the company over the next five years. The growth plans for the company in the next five years are expected to be driven by capacity and capability enhancement that will leverage the company's efforts in its core area of power, supported by industry, transportation, transmission, exports and spares & services businesses.
- The company is taking long strides to become a major global player by further enhancing its presence in international markets and it has identified overseas business as one of its future thrust areas. The company is looking at exports as one of the key growth-drivers and is targeting a six-fold increase in physical exports from the current levels. Mergers & Acquisitions (M&A) route would be pursued to avail inorganic growth opportunities in order to enlarge the company's operations both in domestic as well as export markets.
- With the establishment of 10,000 MW p.a. manufacturing capacity by the end of 2007, BHEL has factored into its plan an enhancement to 15,000 MW p.a. by Dec 2009 at an investment of around Rs. 3,200 crore. Having already tied up technology to produce higher rating super-critical thermal sets, this will further strengthen the position of the company in the domestic market.
- BHEL has put in place necessary technology tie-ups for next generation thermal power plants base on

supercritical technologies in the range of 800-1000 MW unit ratings having higher efficiencies and reduced emissions. BHEL is also ready with introduction of Advanced class Gas Turbines as Power projects based on higher rating large size Gas Turbines are expected in the market place. Further, introduction of higher rating hydro turbine generator sets have also been planned.

- Spares & services business is expected to be the next growth opportunity for the company where revenues are expected to increase four-fold from present levels. The marketing activities of spares & services have already been consolidated and systems capability is being strengthened to address various market segments. BHEL is well positioned to undertake Renovation & Modernisation in view of the fact that it has supplied nearly 65% of India's total installed power generating capacity. Another significant advantage for BHEL is its established service network, spread across the country. Proximity of service centers, which helps in reducing plant downtime, is a major structural advantage.
- The engineering & technology character of the organization shall be enhanced with focus on innovation and R&D, where R&D spend will be increased by at least six times.
- In order to retain competitiveness, various capability-building initiatives like Design-to-cost, Purchase and Supply Management, Lean Manufacturing taken up at Bhopal and Hyderabad plants will be put in place across the company.
- The business model being adopted will give BHEL the ability to cope with complexities, risks and continual change while defending market share in the core business of power sector.

L. RISKS AND CONCERNS

The demand for power has been outstripping the growth of availability. Substantial peak and energy shortages continue to prevail in the country mainly due to inadequacies in generation & transmission as well as inefficient use of electricity. The targeted capacity addition by the end of Eleventh plan is based on a basket of coal, gas, nuclear, hydro and non-conventional energy mix. Realisation of capacity is therefore dependent among other things on fuel-related issues like availability, prices, and policies. Unless fuel linkages are tied up, planned growth is not feasible. In coal there is a demand-supply gap, which is likely to increase. There is abundant coal and it has to be tapped. Current coal production targets are necessitating imports in the shorter term. AT&C losses are to be substantially reduced, tariffs rationalised and average revenue realisation greater than the cost of production ensured. Realisation of 'Power to All' is dependent on the process of reform and restructuring.

Infrastructure development in the country has to grow at a faster pace to support the ambitious growth targets in other core sectors specially Power.

BHEL is facing stiff international competition from the major global PPE manufacturers having financial muscle, economies of scale, technology leadership and global reach

in their favour. Licensing restrictions of market access constrains opportunities for companies like BHEL, in some parts of the world. In most of the business areas where BHEL operates, the growth prospects are also dependent on policy decisions at the national level apart from the prevailing broad business trends.

ANNEXURE – A

Annual Statement showing the Representation of SCs, STs and OBCs as on 01.01.2007 and No. of appointments made during the preceding calendar year 2006

	Representation of SCs/STs/OBCs (As on 01.01.2007)				No. of appointments made during the calendar year 2006									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
Groups	Total No. of Employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	11135	1448	482	848	214	28	17	57	0	0	0	0	0	0
Group B	11593	1732	313	261	0	0	0	0	0	0	0	0	0	0
Group C	17335	4076	935	1824	676	108	46	112	0	0	0	0	0	0
Group D (Exc. Sanitary Workers)	2037	493	129	448	208	32	40	36	0	0	0	0	0	0
Group D (Sanitary Workers)	241	229	1	3	0	0	0	0	0	0	0	0	0	0
Total	42341	7978	1860	3384	1098	168	103	205	0	0	0	0	0	0
% on total	42341	18.84	4.39	7.99										

** In BHEL there is no appointments at induction level by promotion

ANNEXURE – B

Groupwise Status of Physically Disabled in the Total Manpower in BHEL as on 1st January, 2007

Group	No. of Employees	No. of Physically Disabled
1	2	3
Group A	11135	81
Group B	11593	102
Group C	17335	276
Group D	2278	69
Total	42341	528

Brief Resume of Directors Proposed for Appointment and Re-appointment as per Listing Agreement [(Clause 49 IV (G) (i)]

PART TIME OFFICIAL DIRECTOR

Shri N. Gokulram

Shri N. Gokulram, aged 56 years, was inducted as a Part-time Official Director on the Board of BHEL on 25th January, 2007. He is an IAS officer of the 1974 batch from Karnataka cadre. He is a Graduate in Science and also holds a Post Graduate Degree in Physics. Presently he is Additional Secretary & Financial Advisor, Ministry of Heavy Industries & Public Enterprises, Govt. of India. He has held important positions at senior levels in State / Central Govt. for nearly 31 years.

Shri Gokulram is also holding Directorship on the Boards of the following companies :

Name of the Company	Position
1. Heavy Engineering Corporation, Ranchi	Director
2. HMT, Bangalore	Director
3. Engineering Projects (India) Limited, New Delhi	Director

He is not holding any shares of BHEL.

PART-TIME NON-OFFICIAL DIRECTORS

Shri Sanjay M. Dadlika

Shri Sanjay M. Dadlika, aged 43 years, was inducted as Part-time Non-official Director on the Board of BHEL w.e.f. 16th November, 2005. He is a multitasking professional with expertise in Business Management.

A commerce graduate, he holds a number of positions of importance and standing including Advisor to D.G..L.L., Ministry of Shipping, Member of Film Censor Board, Member of State Consumer Protection Council and Director, Maharashtra Chamber of Commerce & Industries.

Shri Dadlika to his credit has awards such as Udyog Ratna Award, Best Trainer Award in International Junior Chamber Conference in Hong Kong, Samaj Bhusan Award from Indian Peace Society, Best Entrepreneur from Maharashtra Chamber of Commerce & Industry, Best Cultural Award in Hindi from Society of Mumbai and Best Speaker Award on Yoga Vashishta & Ashtawakra Geeta.

Presently, he is also director on the Board of Aditya Realtor Pvt. Ltd. He is not holding Membership on the Committees of Boards of any other company. He holds 20 Equity Shares of BHEL.

WHOLE TIME FUNCTIONAL DIRECTORS

Shri Krishnaswamy Ravi Kumar

Shri Krishnaswamy Ravi Kumar, aged 58 years, was inducted as Director (Power) on the Board of BHEL w.e.f. 16th May,

2005. Shri Ravi Kumar is M Tech. from IIT Madras and has Post Graduate Diploma in Business Administration to his credit.

Prior to assuming charge as Director (Power) in BHEL, Shri Ravi Kumar had 33 years of professional experience which include three years of experience in the private sector, before joining BHEL in 1975.

In BHEL, Shri Ravi Kumar joined the Energy Systems and New Products Division (R&D) and worked in various disciplines/divisions viz., Design & Engineering of Control Equipment Products in Electronics Division - Bangalore, Construction and Project Management of Thermal, Hydro, Nuclear, Industrial sets of Power Sector - Southern Region (PS-SR) and Marketing as Head of Power Sector - Marketing and SSBG, responsible for Marketing of Power Projects, Spares and R&M.

Shri Ravi Kumar was instrumental in achieving many firsts for BHEL namely:

- New technologies in the field of coal and gas based power plants were introduced for the first time into the country were meticulously executed. Some of these were Tower type boilers at Vijayawada, Advance Class Gas Turbines at Kovilkalappal in Tamil Nadu, Once through boilers at Talcher etc.
- An all time high Order booking of about Rs. 27,730 Crores in 2006-07 in the Power Sector business was achieved, mostly secured against stiff international competition.
- Development of reference proposal for 2x800 MW TPP on turnkey basis. Proposal engineering for 800MW units with supercritical parameters was also carried out.
- Basic cycle configuration and conceptual layout for 600MW units was developed.
- Standard commissioning procedures for CFBC boilers, suitable to green-field projects, developed.
- First time in BHEL, Generator Stator lifted with Strand-Jack method was used in Kahalgaon Unit-5 & 7 (500 MW)
- Established State-of -the-art Calibration Laboratory for calibrating the pressure and Power/Energy Instruments to an accuracy level of 0.01% at PS-TS Noida.

He is instrumental in providing key inputs for Company's Expansion Programmes for taking the Manufacturing Capacities from 6,000 MW to 15,000 MW.

He has presented papers in the fields of Electronics and Energy in National and International Seminars most recent being on Combined Cycle Power Plants in Electrical India.

Shri Ravi Kumar is not holding Directorship and / or Membership of Committees of the Boards in any other Company and also he is not holding any Shares of BHEL.

Shri C.S. Verma

Shri C.S. Verma, aged 48 years, holds a Master's Degree in Commerce, a Master's Degree in Business Administration, a Bachelor's Degree in Law and Legislatures and is a Fellow Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost and Works Accountants of India.

Shri Verma, who was inducted as Director(Finance) on the Board of BHEL w.e.f. 1st September, 2005, has contributed immensely in improving the systems and procedures, cost reduction and cost control, implementing best management practices and in improvement of the top line and the bottom line of the Company. He has been instrumental in ensuring complete adherence to various statutory requirements, accounting standards, canons of financial propriety, SEBI directives including Corporate Governance norms.

Before joining BHEL, Shri Verma served as Director (Finance) on the Board of ITI Limited, a Schedule 'A' PSU under the administrative control of the Department of Telecommunications, Government of India. During his service of more than 3 years in the Telecom major, Shri Verma through adroit management of funds and strategic deployment of scarce resources, lent the much needed financial muscle required for ITI to operate in the highly competitive Telecom market. With over 26 years of professional experience behind him, he is credited to be an expert in funds mobilization having raised huge resources for the Indian Railway Finance Corporation where he served as Group General Manager before taking over as Director(Finance) in ITI in February, 2002. He has handled a number of foreign issues, swap transactions and derivative products. His earlier assignments include a stint in Delhi Stock Exchange (DSE) as its General Manager where he worked for about 4 years and in a Financial Institution where he worked for about 9 years.

Shri Verma has widely travelled abroad and has visited a number of countries.

Shri Verma is not holding Directorship and/or Membership of Committees of the Boards in any other Company. He is not holding any Shares of BHEL.

Shri B. Prasada Rao

Shri B. Prasada Rao, aged 53 years, has been inducted as an Additional Director on the Board of Directors of BHEL to take charge of the post of Director (IS&P) w.e.f. 1st September, 2007. He is a Mechanical Engineering Graduate from Jawaharlal Nehru Technological University, Kakinada, Andhra Pradesh and a Post Graduate in Industrial Engineering from NITIE, Mumbai.

Shri Rao has 29 years of diversified, versatile and varied experience through working in major segments of BHEL. He started his career in BHEL as an Industrial Engineer at Industrial Systems Group in 1978. During the stint at Erection & Commissioning function of the newly set up Industrial Systems Group, he formulated systems & procedures for establishment of activities at various sites. Later, he initiated the planning function at BHEL, Bangalore, and has been responsible for conceptualizing approach for organization of Industry Sector, drawing up a Blueprint for Electronics in BHEL and implementation of Local Area Network for office automation. Later, he spearheaded the Diversification initiative at Electronics Division for BHEL's entry into Defence Simulators. He was instrumental in setting up of Electronics Systems Division, the 14th manufacturing unit of BHEL, in addition to Planning & Development activities.

Subsequently he joined the Heavy Power Equipment Plant at Hyderabad as In-charge of manufacturing of Steam Turbines, Gas Turbines and Compressors, during which period new machining methods using advanced tooling were introduced, improving the quality and reducing cycle time. Further, machining of complex components like gas turbine buckets and nozzle segments were established during his stint at the manufacturing works.

At Corporate Planning & Development, he successfully lead two Corporate Plan exercises 'Strategic Plan 2007' and 'Strategic Plan 2012'. He was in-charge of the project on "Positioning BHEL for Accelerated Growth" and also lead the implementation of Pilot initiative for "Organizational Transformation through Integrated Operational Improvement Strategies in Bhopal and Hyderabad Units of BHEL".

He represented India in the Study Group of World Energy Council on their initiative for developing 'Energy Scenarios to 2050'. He has been a Member of CII Capital Goods Committee and has been an active interface with Industry & Government bodies on various policy matters of concern to BHEL. He was also the company's interface with the investment community for clarifying on Company's position on various strategic

matters within the guidelines of SEBI and Company Corporate Governance practices.

Prior to his appointment as Director (Industrial Systems & Products), Shri Rao was heading the Industry Business segment as Executive Director.

Shri Rao is not holding Directorship and/or Membership of Committees of the Boards in any other Company. He is holding 400 Equity Shares of BHEL.

Shri Anil Sachdev

Shri Anil Sachdev, aged 55 years, has been inducted as an Additional Director on the Board of Directors of BHEL to take charge of the post of Director (HR) w.e.f. 1st September, 2007. He is a Mechanical Engineering Graduate from Jabalpur University and an MBA in Production Management from University of Bhopal.

Shri Sachdev joined BHEL, Bhopal in 1975 as Engineer Trainee. After working in various capacities in the areas of Production/Manufacturing, he rose to the position of Unit Head of Central Foundry Forge Plant, Haridwar and later on became Executive Director of Heavy Electrical Equipment Plant, Haridwar. He then shifted to New Delhi as Executive Director (HR), before taking over as Director (HR) in September 2007.

During his stint at BHEL's Bhopal, Shri Sachdev spearheaded major improvements in the areas of Traction Systems. In Haridwar, he was responsible for Central Foundry Forge Plant's turnaround which was a major breakthrough. In 2006-07, Heavy Electrical Equipment Plant and Central Foundry Forge Plant at Haridwar recorded an all time High Turnover of Rs. 2003 Crores and Rs 270 Crores respectively. Also, highest ever shop Turnover of Rs 1483 Crores was achieved by Heavy Electrical Equipment Plant.



Corporate Governance

1. Our Philosophy on Corporate Governance

BHEL is committed to the best practices in the area of Corporate Governance, both in letter and in spirit. The Company believes that good corporate governance is much more than complying with the legal and regulatory requirements. Good governance facilitates effective management and control of business, maintaining a high level of business ethics and optimizing the value for all its stakeholders. Besides the above, BHEL'S Vision is to be a "World class Engineering Enterprise committed to enhancing Stakeholder Value" and its Mission is to be "An Indian Multinational Engineering Enterprise providing total business solutions through quality products, systems and services in the fields of energy, industry, transportation, infrastructure and other potential areas".

The Corporate Governance Policy of BHEL rests upon the four pillars of : Transparency, Full disclosure, Independent monitoring and Fairness to all, especially to minority shareholders. BHEL believes that proper Corporate Governance facilitates effective realization of goals; simultaneously ensuring a high level of business ethics. BHEL's Corporate Governance policy is based on the following principles:

- i) Independence and versatility of the Board;
- ii) Integrity and ethical behaviour of all personnel;
- iii) Recognition of obligations towards all stakeholders – customers, employees and shareholders;
- iv) High degree of disclosure and transparency levels;
- v) Total compliance with laws in all environments in which the company operates;
- vi) Achievement of above goals with compassion for people and environment;

The company believes that conducting business in a manner that complies with the Corporate Governance procedures

and Code of Conduct, exemplifies each of our core values, positions us to deliver long-term returns for our shareholders, favourable outcomes for our customers and attractive opportunities for our employees.

2. Board of Directors

i. Composition & category of Directors

Pursuant to Section 617 of the Companies Act, 1956, BHEL is a 'Government Company'. Presently 67.72% of the total paid-up share capital of the Company is held by the President of India.

The Board of Directors has appropriate mix of executives represented by Functional Directors and Non-executive Directors represented by Government Nominees and Independent Directors to maintain the independence of the Board and to separate the Board functions of management and control. The Chairman is an executive director. Therefore, Independent Directors comprise half of the strength of the Board.

The composition of the Board of Directors is as follows:

Chairman & Managing Director	1
Whole-time Executive (Functional) Directors	5
Part-time Official Directors (Government Nominees) representing the Ministry of Heavy Industries & Public Enterprises, Government of India	2
Part-time Non-official (Independent) Directors	8
Total	16

As on 31.03.2007, three casual vacancies of Independent Directors existed on the Board of Directors of the Company. The matter is under process at the end of Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India.

ii. Attendance of each director at the Board meetings during 2006-07 and the last AGM

Director's Name S/Shri	No. of Board Meetings		Last AGM (held on 15.09.2006)
	Held	Attended	
Ashok K. Puri Chairman & Managing Director	9	9	Yes
Ramji Rai* Director (E,R&D) (Upto 31.08.2006)	4	4	—
C.P. Singh Director (E,R&D) (From 01.09.2006)	5	5	Yes
S.K. Jain Director (HR)	9	8	Yes
A.K. Mathur Director (IS & P)	9	8	Yes
K. Ravi Kumar Director (Power)	9	9	Yes
C.S. Verma Director (Finance)	9	9	Yes
Naresh Chaturvedi Part-time Official Director (Upto 25.01.2007)	7	2	No
N. Gokulram* Part-time Official Director (From 25.01.2007)	2	1	—
Dr. Surajit Mitra Part-time Official Director	9	9	Yes
Vineet Nayyar Part-time Non Official (Independent) Director (Upto 28.02.2007)	8	3	Yes
Sanjay M. Dadlika Part-time Non Official (Independent) Director	9	8	Yes
Ashok K. Aggarwal Part-time Non Official (Independent) Director	9	7	Yes
Manish Gupta Part-time Non Official (Independent) Director	9	7	Yes
Shekhar Datta Part-time Non Official (Independent) Director	9	8	Yes
Raman Singh Sidhu* Part-time Non Official (Independent) Director (upto 12.09.2006)	4	3	—
Madhukar Part-time Non Official (Independent) Director (From 05.07.2006)	7	7	Yes

Note: (*) denotes the respective person is not a Director of BHEL as on last AGM date

iii. Number of other Boards or Board Committees in which Director of BHEL is a member or Chairman as on 31/03/2007

Director's Name S/Shri	Details of Directorships in other Companies	Details of Committee Memberships and Committee Chairmanship
Dr. Surajit Mitra	1. Bharat Bhari Udyog Nigam Limited 2. Cement Corporation of India Limited 3. HMT Machine Tools Limited 4. HMT International Limited 5. HMT Limited	- Nil -
N.Gokulram	1. Heavy Engineering Corporation Limited, Ranchi 2. HMT, Bangalore 3. Engineering Projects India Limited, New Delhi	- Nil -
Sanjay M. Dadlika	Aditya Realtor Pvt. Limited	- Nil -
Ashok K. Aggarwal	1. Gopal Corporation Limited 2. GG Marketing Pvt. Limited	- Nil -
Shekhar Dutta	1. Wockhardt Limited 2. Vesuvius India Limited 3. Lombardini India Pvt. Limited 4. Bombay Stock Exchange Limited	Member : Audit Committee 1. Wockhardt Ltd. (Member) 2. Vesuvius India Ltd. (Member) 3. Bombay Stock Exchange Ltd. (Member) Share Transfer and Investor Grievance Committee Vesuvius India Ltd. (Member) Defaulters Committee Bombay Stock Exchange Ltd. (Member) Listing Committee Bombay Stock Exchange Ltd. (Member) Remuneration Committee Bombay Stock Exchange Ltd. (Chairman)
Manish Gupta	1. Tata Metaliks Ltd. 2. Texmaco Ltd. 3. Wellman Coke India Ltd.	Shareholders' Grievance Committee Tata Metaliks Ltd. (Chairman)

No Director of the company is a member in more than ten (10) committees or is a Chairman of more than five (5) committees across all companies in which he is a Director.

iv. No. of Board Meetings held, dates on which held

The meetings of the Board are normally held at the Company's Registered Office in New Delhi and are scheduled well in advance. The Company Secretary in consultation with Chairman and Managing Director, sends notice of each Board meeting in writing to each Director. The Board agenda is circulated to the Directors in advance.

The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in agenda for discussion. In case of need, the senior management is invited to attend the Board Meetings to provide additional inputs relating to the items being discussed and / or giving presentation to the Board. The Board meets at least once in a quarter to review the quarterly results and

other items on the agenda. Additional meetings are held, when necessary.

During the year under review, the Board met nine times on the following dates:

(i) April 3, 2006	(ii) May 31, 2006
(iii) July 28, 2006	(iv) August 8, 2006
(v) October 27, 2006	(vi) November 6, 2006
(vii) November 30, 2006	(viii) January 25, 2007
(ix) March 10, 2007	

The maximum time gap between any two meetings was not more than three calendar months.

v. Board's Responsibilities :

The Board's mandate is to oversee the Company's strategic direction, review and monitor corporate performance, ensure regulatory compliance and safeguard the interests of shareholders.

vi. Role of Independent Directors

The Independent Directors play an important role in deliberations at the Board and Committee meetings and bring to the Company their expertise in the fields of engineering, finance, management, law and public policy.

The Board has established various committees such as the Audit committee, Shareholders / Investors Grievance Committee, Share Transfer Committee, Remuneration Committee, Project Review Committee, Merger and Amalgamation Committee and HR Policy Committee.

In terms of Clause 49 of the Listing Agreement, the Audit Committee, Shareholders / Investors Grievance Committee and the Remuneration Committee are chaired by an Independent Director and the said committees' functions are within the defined terms of reference. The minutes of committee meetings are circulated and discussed in the Board meetings.

vii. Information placed before the Board of Directors :

The information under the following heads, are usually presented to the Board of Directors of BHEL either as part of the agenda papers or are tabled / presented during the course of Board meeting:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level.

- Details of any Joint Venture or R&D project or technical collaboration agreement requiring approval of Board of Directors.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material, nature of investments, subsidiaries, assets, which is not in normal course of business.
- Action Taken Report on all pending matters.
- Disclosure of Interest by Directors about directorships and committee positions occupied by them in other companies.
- Quarterly report on Compliance of various laws.
- Information relating to major legal disputes.
- Short term Investment of surplus funds.
- Any contract(s) in which Director(s) are deemed to be interested.
- Status of shareholder's grievances on quarterly basis.
- Information/status in respect of Power & Industry Sectors and International Operations division on quarterly basis.
- Significant Capital Investment proposals.
- Changes in significant accounting policies and practices and reasons for the same.
- Detailed presentation on performance of various units/ functions.
- Any other information required to be presented to the Board either for information or approval.

viii. Selection of new directors

As per Articles of Association of BHEL, the President of India through Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, appoints Chairman & Managing Director, Functional Directors and Part-time Official Directors on the Board of BHEL and also nominates Part-time Non-official Directors (Independent Directors) on the Board of BHEL.

The Independent Directors are selected by the Department of Heavy Industry in consultation with the Search Committee of the Department of Public Enterprises who maintains a panel of eminent personalities having wide experience of Management, Finance, Engineering, Administration and Industry.

ix. Membership term & Retirement policy

The appointment of Chairman & Managing Director, Functional Directors shall be on such terms and conditions, remuneration and tenure as the President of India may from time to time determine.

Two Part-time Official Directors i.e. the Joint Secretary of Department of Heavy Industry and Additional Secretary & Financial Advisor, the Ministry of Heavy Industries & Public Enterprises are nominated by the Government of India on the Board of BHEL. They continue to be on the Board of BHEL at the discretion of Government of India.

The tenure of Part-time Non-official (Independent) Directors is decided by the Department of Heavy Industry. Normally, an Independent Director is appointed for a period of three years. All such appointees are liable to retire by rotation in terms of the provisions of the Articles of Association of BHEL.

x. Code of Conduct

As part of BHEL's persisting endeavour to set a high standard of conduct for its employees a 'Code of Business Conduct and Ethics' has been laid down for all Board Members and Senior Management personnel.

The Code encompasses:

- General Moral Imperatives;
- Specific Professional Responsibilities; and
- Additional Duties / Imperatives for Board members and Senior Management personnel.

A copy of the said Code has been placed on the company's website 'www.bhel.com'. Additional suggestions / ideas to improve upon the said Code are gladly invited.

xi. CEO/CFO certification

CEO / CFO certification pursuant to clause 49(V) of the Listing Agreement is enclosed.

3. Audit Committee

i. Brief description of terms of reference:

The terms of reference of the Audit Committee specified by the Board are in conformity with the requirements of revised Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. They are as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956

- b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by Management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
 6. (i) Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems. (ii) To ensure compliance of internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors any significant findings and follow up there on.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. (i) Discussion with Statutory Auditors / Internal Auditors periodically about internal control systems. (ii) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern including observations of the Auditors.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 13. To review the Audit paras referred to BLAC by the Internal Audit / Board and / or Govt. of India and to provide its suggestions / guidance / comments on the issues referred to it.
 14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting

Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

ii. Composition of Committee, name of Members and Chairman:

The Audit Committee comprises of a majority of Independent directors as mandated by the Listing Agreement. The member directors comprise of professionals of repute and standing with background in commerce, finance, administration and governance, both national and international.

The Audit Committee was last reconstituted on 25th January, 2007 and presently comprises of the following directors:

Name of the Director		No. of Meetings held during his tenure	No. of Meetings attended
S/Shri	Position		
Vineet Nayyar (Upto 28.02.2007)	Chairman	4	2
Shekhar Datta	Chairman	4	4
Manish Gupta	Member	4	4
Naresh Chaturvedi (Upto 25.01.2007)	Member	3	1
N . Gokulram (From 25.01.2007)	Member	Nil	Nil

The Company Secretary of the Company acts as the Secretary to the Committee. The Director (Finance), Head of Corporate Internal Audit and a representative of Statutory Auditor, attend the meetings as invitees.

iii. Meetings & attendance of Audit Committee during 2006-07

The Audit Committee met four times on the 31st May, 2006, 28th July, 2006, 27th October, 2006 and 25th January, 2007 in the previous year 2006-07. The maximum time gap between any two meetings was not more than four months.

4. Remuneration Committee

i. Remuneration policy

BHEL being a Public Sector Undertaking, the appointment and fixation of remuneration of CMD / Functional Directors are decided by the Govt. of India; whereas the part-time non-executive directors are not paid any remuneration except sitting fees for attending meetings of the Board or Committee thereof. Moreover, the terms of appointment of CMD / Directors, as approved by the President of India, provide for fixation of certain perks and benefits like leased accommodation, payment of HRA, furnished accommodation,

productivity linked incentive, etc., as per rules of BHEL. As such, the Board had constituted a Remuneration Committee on 7th December 2005 with the following terms of reference:

ii. Terms of reference

- Oversight of the company's policy on specific remuneration packages perquisites for Whole-time Directors including pension rights and any compensation payment, which are not fixed by the President of India.
- Approve certain perquisites for whole-time directors which are within the powers of Board. Review of the elements of remuneration package of individual directors summarized under major groups, such as incentives / benefits, bonus, stock options, pension etc.
- Finalization of policies on perks and benefits and other related matters which are not fixed by the President of India but within the powers of Board.
- Approval of fixed component and performance linked incentives based on the performance criteria.
- Finalization of the criteria of making payments to Non Executive Directors.
- Recommendation of fees / compensation / stock options, if any, to be paid / granted, to non-executive directors, including independent directors, to the Board of Directors/ Shareholders.
- Carrying out any other function related to the terms of reference of the Remuneration Committee.

iii. Composition, names of Members and Chairperson

The details of names of Members & Chairman of the Remuneration Committee are as under:

Name of the Director		No. of Meetings held during his tenure	No. of Meetings attended
S/Shri	Position		
Ashok. K. Aggarwal	Chairman	4	4
Vineet Nayyar (Upto 28.02.2007)	Member	4	3
Naresh Chaturvedi (Upto 25.01.2007)	Member	4	3
Director (HR)	Member	4	4
Director (Finance)	Member	4	4

The Company Secretary of the Company acts as the Secretary to the Committee.

iv. Attendance during the year

Remuneration Committee met 4 times during the previous year 2006-07 i.e. on 28th April, 2006, 17th May, 2006, 31st May, 2006 and 8th August, 2006. The attendance of each Member is shown in the above table.

v. Details of remuneration of functional Directors during the year 2006-07 are given below:

(in Rs.)

Sl. No.	Name of the Director S/Shri	Salary	Benefits	Arrears, if any	Performance	Total	Service Contract/Notice Period/Severance Fee
1.	A. K. Puri	6,41,549	6,28,260	0	36,870	13,06,679	Not liable to retirement by rotation
2.	S. K. Jain	6,21,644	5,10,832	0	36,870	11,69,346	Liable to retirement by Rotation
3.	K. Ravi Kumar	6,74,155	5,87,873	0	36,870	12,98,898	Liable to retirement by Rotation.
4.	C. S. Verma	5,62,415	3,57,863	0	21,508	9,41,786	Liable to retirement by Rotation.
5.	Ramji Rai Upto 31.08.2006	2,75,860	5,59,941	0	36,870	8,72,671	Retired on attaining the age of super annuation on 31.08.2006
6.	A.K. Mathur	6,79,758	10,89,013	0	36,874	18,05,645	Liable to retirement by Rotation.
7.	C.P. Singh from 01.09.2006	3,37,298	3,00,648	0	37,000	6,74,946	Liable to retirement by Rotation.

vi. Details of payments made to Non- Executive Directors during the year 2006-07 are given below:

(in Rupees)

Name of the Non-Executive Directors S/Shri	Sitting Fees		Total
	Board Meeting	Committee Meeting	
Vineet Nayyar (Upto 28.02.2007)	25,000/-	30,000/-	55,000/-
Sanjay M. Dadlika	65,000/-	45,000/-	1,10,000/-
Ashok K. Aggarwal	55,000/-	40,000/-	95,000/-
Manish Gupta	60,000/-	30,000/-	90,000/-
Shekhar Datta	65,000/-	65,000/-	1,30,000/-
Raman Singh Sidhu (Upto 12.09.2006)	20,000/-		20,000/-
Madhukar (w.e.f. 05.07.2006)	65,000/-	30,000	95,000/-

Independent Directors were entitled for sitting fee @ Rs.5,000/- per meeting of Board or Committee thereof upto July 2006. Thereafter, the sitting fee has been enhanced to Rs. 10,000/- per meeting of Board or Committee thereof.

vii. Equity Shares held by Directors

Except as stated hereunder, none of the Directors, hold any Equity Shares in BHEL (as on 31st March 2007):

Name of the Director S/Shri	No. of shares held
A. K. Puri	200
A. K. Mathur	200
C.P. Singh	200
Sanjay M. Dadlika	10
Dr. Surajit Mitra	100

The Company has not issued any stock options during the year 2006-07. The Company has allotted Bonus Shares on 6th June, 2007 to its existing Shareholders in the ratio of 1:1 i.e. one Bonus Share of Rs. 10/- each for every one fully paid-up Equity Share of Rs. 10/- each held by them as on Record Date i.e.1st June, 2007.

5. Shareholders' Committees

5.1 Share Transfer Committee

The Board constituted a Share Transfer Committee long ago, which comprises the Chairman & Managing Director, Director (Power) and Director (Finance) of the Company.

The Share Transfer Committee considers and approves all share-related issues, transfer / transmission of shares, issue of duplicate share certificate etc., in physical mode besides taking note of beneficiary position under demat mode.

Meetings during 2006-07

The Share Transfer Committee met 20 times during the year. The minutes of the Share Transfer Committee meetings are periodically placed before the Board of Directors.

5.2 Shareholders/Investors' Grievance Committee

The SIGC Committee has been set up specifically to look into matters related to redressal of shareholders and investors complaints like transfer of shares, non-receipt of Balance Sheet, dividend and any other relevant grievance that the shareholder may have.

The Committee comprises of the following directors:

Name of the Director	Position	No. of Meetings held during his tenure	No. of Meetings attended
S/Shri			
Madhukar Part-time Non-official (Independent) Director	Chairman (from 25.01.2007)	1	1
Sanjay M. Dadlika Part-time Non-official (Independent) Director	Member	3	3
Shri Ashok K Aggarwal Part-time Non-official (Independent) Director	Member	3	2
Director(HR)	Member	3	2
Director(Fin)	Member	3	3

Shri N.K. Sinha, Company Secretary is the Compliance Officer in terms of Clause 47 of the Listing Agreement with the Stock Exchanges.

Meetings during 2006-07

The Committee met 3 times on 11th July, 2006, 13th October, 2006 and 22nd March, 2007 during the year under review. The details of attendance of each member in given in the above table.

Number of shareholders' complaints received so far

As reported by Karvy Computershare Private Limited (RTA) to SEBI; 177 complaints were received from shareholders during the year under review and all of which were redressed up to March 31, 2007. No complaint was pending at the end of the period under report.

6. HR Committee

The Board constituted HR Committee on 31st May, 2006 specifically to look into the following matters:

- Review of present policies with respect to promotion and reward / incentive to the Executives.
- Suggest both short term and long term changes in the policies to prepare BHEL for the changed / emerging business environment.

i. Composition, names of Members and Chairperson

The details of names of Members & Chairman of the HR Committee are as under:

Name of the Director	Position	No. of Meetings held during his tenure	No. of Meetings attended
S / Shri			
Shekhar Datta Part-time Non-official (Independent) Director	Chairman	3	3
Dr. Surajit Mitra Part-time Official Director	Member	3	3
Director (HR)	Member	3	3
Director (ER&D)	Member	3	2

The Company Secretary of the Company acts as the Secretary to the Committee.

Meetings and Attendance

The Committee met 3 times during the year under review on 7th August, 2006, 14th September, 2006 and 24th January, 2007. The details of attendance of each member is given in the above table.

7. Committee on Merger & Acquisitions

The Board constituted Committee on Merger & Acquisitions on 25th January, 2007 specifically to look into the following matters:

- To examine the feasibility of the proposals relating to mergers, acquisitions and takeover of entities in terms of powers granted by Government of India to Navaratna PSUs and make necessary recommendations to the Board.
- To examine the synergy and strategic fit between BHEL and the M&A opportunity and decide on recommendations at various stages of Due Diligence.
- To take a view on the valuation of the Target, bidding strategies, Term sheets, mode of financing and finalise recommendations on crucial issues pertaining to definitive documents like Share Holders' and Share Purchase Agreements etc.
- To provide guidance on post M&A issues of management restructuring, relationship with parent company and other related issues.

i. Composition, names of Members and Chairperson

The detail of names of Members & Chairman of the Merger & Acquisitions Committee are as under:

Name of the Director	Position	No. of Meetings held during his tenure	No. of Meetings attended
S/Shri Jt. Secretary / Dept. of Heavy Industry on BHEL Board	Chairman	1	1
Shakher Datta Part-time Non-official (Independent) Director	Member	1	1
Director (IS&P)	Member	1	1
Director (Finance)	Member	1	1
Director (E,R&D)	Member	1	1

Executive Director (P&D) / Head of P&D are the permanent invitees. The Company Secretary of the Company provides secretarial support to the Committee.

Meetings and Attendance

The Committee met once during the year under review on 10th March, 2007. The detail of attendance of each member is given in the above table.

8. Project Review Committee

The Board constituted Project Review Committee on 25th January, 2007 with the following terms of reference:

- The Project Review Committee shall have at least four meetings in a year.
- The quorum for the meetings shall be three members.
- The Project Review Committee shall review the status of projects costing Rs. 100 crores and above, orders won/lost and major customer complaints in respect of Power & Industry Sectors and International Operations Division, on quarterly basis.
- The Project Review Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee.
- The Project Review Committee shall make necessary recommendations, wherever required, to the Board relating to projects in respect of Power Sector, Industry Sector and International Operations and also on related issues.

i. Composition, names of Members and Chairperson

The details of names of Members & Chairman of the Project Review Committee are as under:

Name of the Director S/ Shri	Position	No. of Meetings held during his tenure	No. of Meetings attended
Sanjay M. Dadlika Part-time Non-official (Independent) Director	Chairman	2	2
Madhukar Part-time Non-official (Independent) Director	Member	2	2
Director (IS&P)	Member	2	2
Director (Power)	Member	2	2
Director (E,R&D)	Member	2	2

Joint Secretary / Deptt. of Heavy Industry on BHEL Board shall be the permanent invitee and Head of International Operations of BHEL shall be invited as and when required. The Company Secretary of the Company shall act as Secretary to the Committee.

Meetings and Attendance

The Committee met twice during the year under review on 15th February, 2007 and 22nd March, 2007. The detail of attendance of each member is given in the above table.

9. General Meetings

i. Location and time of last three AGMs

Year	Location	Date	Time
FY 2003-04 (40 th AGM)	FICCI Auditorium, Barakhamba Road (Tansen Marg) New Delhi-110001	28 th September, 2004	10.00 a.m.
FY 2004- 05 (41 st AGM)	-do-	29 th September, 2005	10.00 a.m.
FY 2005- 06 (42 nd AGM)	-do-	15 th September, 2006	10.00 a.m.

ii. Details of Special resolutions passed in previous three AGMs

The Company passed a special resolution in the 40th AGM held on 28.09.2004, for delisting of its equity shares from the Stock Exchanges of Ahmedabad, Chennai, Delhi and Kolkata.

The Company passed a special resolution in the 42nd AGM held on 15.09.2006, for the amendment of Articles of Association of the Company.

iii. Postal Ballot

No special resolutions were passed through postal ballot in the previous year. No such resolutions are proposed through postal ballot during the year.

10. Disclosures

i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large

The Company has not entered into any materially significant related party transactions that may have potential conflict with the interests of the company at large. Nonetheless, transactions with related parties have been disclosed in Note no. 13 of Schedule 19 to the Accounts in the Annual Report.

ii. Non-compliances / penalties & strictures imposed on the company with respect to capital markets in the last three years

No such non-compliance has occurred nor any penalty or stricture been imposed on the company in the last three years. The company has set the highest standards with respect to observance and conformity with laws and all compliances are made much before the deadlines stipulated by statute.

iii. Whistle Blower policy

BHEL has not yet established a Whistle Blower Policy for the employees. Nonetheless, no personnel have been denied access to the audit committee.

iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.

All mandatory requirements as indicated in Clause 49 of the listing agreement have been duly complied with by the company. Details of the same have been given in appropriate places in this report.

Clause 49 further states that the non-mandatory requirements may be implemented as per our discretion. The company has already set up a Remuneration Committee to approve specific aspects of the remuneration of directors. Other non-mandatory requirements would be gradually complied with on need basis by the company.

v. Auditor's certificate on Corporate Governance

Auditor's certificate on Corporate Governance is enclosed.

11. Communication of financial and other information

As required under clause 41, company issues a notice of at least 7 days in advance to the stock exchanges of the Board Meetings in which the unaudited / audited financial results are due for consideration. Further, the said results are intimated immediately after they are taken on record / approved to the Stock Exchanges. These financial results are normally published in the Economic Times and Indian Express (English) and Navbharat Times and Jansatta (Hindi) and also displayed on the company's website www.bhel.com within 48 hours of the conclusion of the said meeting.

The said information is also posted on the the SEBI EDIFAR (Electronic Data Information Filing and Retrieval) website - www.sebidifar.nic.in where they are freely accessible by any person.

Official news releases including important events like receipt of major orders as well as presentations made to the investors and financial analysts at periodic investors' meets are also displayed on the Company's website.

12. General Shareholder Information

i. AGM (Date, Time and Venue)

	Date 17 th September, 2007	Time / Venue 10.00 A.M. FICCI Auditorium, Barakhamba Road, (Tansen Marg), New Delhi-110 001.
ii. Financial year	—	1 st April 2006 to 31 st March 2007
iii. Dates of Book Closure	—	3 rd September, 2007 to 17 th September, 2007 (Both days inclusive)
iv. Dividend payment date	—	On or before 16 th October, 2007
v. Dividend History:	BHEL has been following "Stability cum Growth" policy with regard to dividend payment. The details of dividend paid by BHEL during the last ten years and the amount of unclaimed dividend as on 31.03.2007 are summarized as under:	

Year	Rate of Dividend	No. of Shares	Total Amount of Dividend Paid (Rs.)	Date of AGM in which Dividend was declared	Date of Payment	Unclaimed Dividend as on 31.03.2007 (Rs.)	Proposed date for transfer to IEPF
1997-1998	25%	244760000	611900000	30.09.1998	11.11.1998	Already transferred to Investor Education & Protection Fund	
1998-1999	25%	244760000	611900000	30.09.1999	11.11.1999	Already transferred to Investor Education & Protection Fund	
1999-2000 (Interim)	15%	244760000	367140000	19.05.2000*	31.05.2000	779167	06.07.2007
1999-2000 (Final)	15%	244760000	367140000	29.09.2000	10.11.2000	739478	16.11.2007
2000-2001	30%	244760000	734280000	28.09.2001	03.10.2001	528441	02.11.2008
2001-2002	40%	244760000	979040000	30.09.2002	07.10.2002	639247	04.11.2009
2002-2003	40%	244760000	979040000	30.09.2003	06.10.2003	484760	04.11.2010
2003-2004 (Interim)	30%	244760000	734280000	01.03.2004*	22.03.2004	286110	05.04.2011
2003-2004 (Final)	30%	244760000	734280000	28.09.2004	04.10.2004	231393	02.11.2011
2004-2005 (Interim)	35%	244760000	856660000	10.12.2004*	26.12.2004	290703	14.01.2012
2004-2005 (Final)	45%	244760000	1101420000	29.09.2005	04.10.2005	377212	03.11.2012
2005- 2006 (Interim)	40%	244760000	979040000	07.12.2005*	26.12.2005	301360	11.01.2013
2005- 2006 (Spl. Interim)	85%	244760000	2080460000	07.03.2006*	27.03.2006	600160	11.04.2013
2005-2006 (Final)	20%	244760000	489520000	15.09.2006	22.09.2006	187762	20.10.2013
2006-2007 (Interim)	125%	244760000	3059500000	25.01.2007*	15.02.2007	1836648	28.02.2014

*Date of meeting of Board of Directors in which Interim Dividend was declared

vi. Listing on Stock Exchanges and Stock Code

BHEL's shares are listed on the following Stock Exchanges for which listing fees for 2006-07 has been paid:

	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	500103
2.	National Stock Exchange of India Limited Exchange Plaza, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra(E), Mumbai – 400051.	BHEL

vii. Delisting of Equity shares

The equity shares of the Company have been delisted from The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited and The Stock Exchange, Ahmedabad w.e.f. 10.12.2004, 19.01.2005 and 28.01.2005 respectively.

The Company has complied with all the requirements required for delisting of equity shares of the Company from the Calcutta Stock Exchange Association Limited and the approval for delisting is awaited from this Stock Exchange. Company has neither paid listing fee for 2006-07 nor sending any returns / reports / documents etc. required to be sent as per Listing Agreement to the Calcutta Stock Exchange with effect from 01.04.2005.

viii. Market Price Data & performance in comparison to broad-based indices such as BSE Sensex, BSE PSU Index and S&P CNX Nifty Index are as under :-

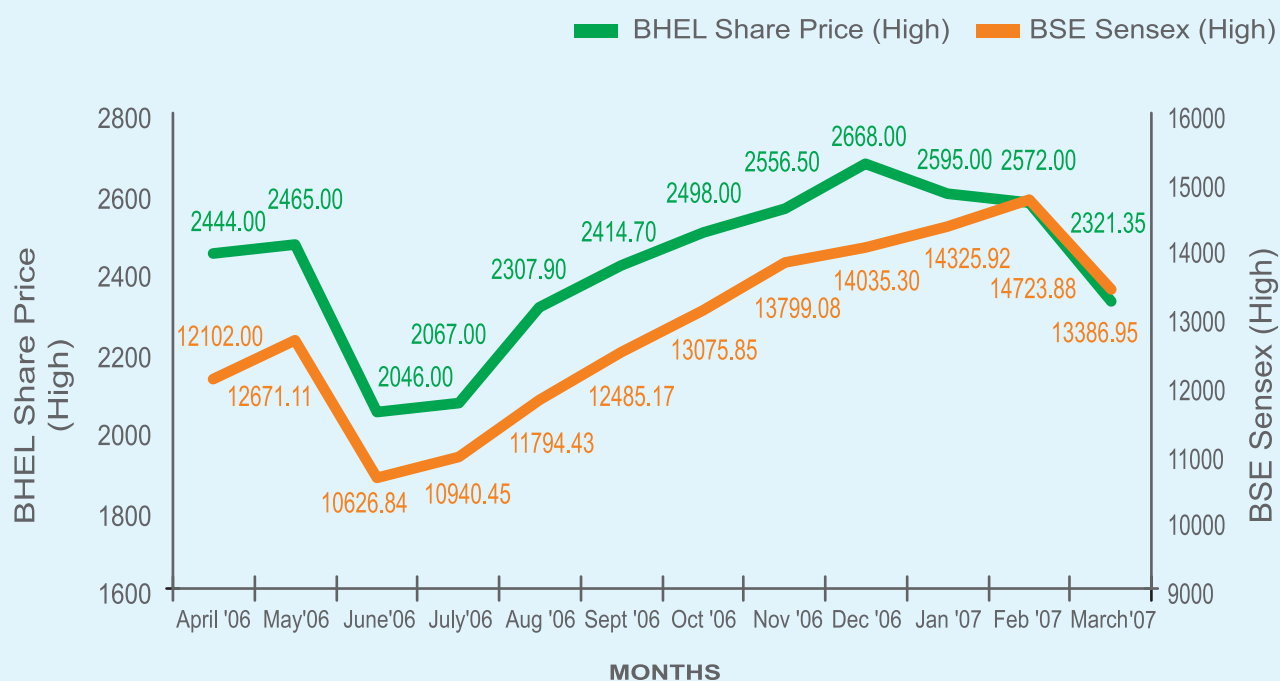
BHEL Vs. BSE Sensex

High and low of BHEL market share price on the Bombay Stock Exchange (BSE) vis-à-vis BSE Sensex, No. of shares traded and Net turnover, during each month in last financial year ended March 31, 2007 are summarized as under:

Month	BHEL Share Prices (Rs.)		BSE Sensex		No. of shares traded	Net turnover (Rs. in Lakhs)
	High	Low	High	Low		
April 2006	2,444.00	2,200.00	12,102.00	11,008.43	1318047	30,777.55
May 2006	2,465.00	1,600.10	12,671.11	9,826.91	1327255	28,186.96
June 2006	2,046.00	1531.20	10,626.84	8,799.01	3088569	56,837.81
July 2006	2,067.00	1,730.25	10,940.45	9,875.35	2710143	51,892.13
August 2006	2,307.90	2,026.00	11,794.43	10,645.99	3342355	73,321.15
September 2006	2,414.70	2,185.25	12,485.17	11,444.18	2215985	50,860.05
October 2006	2,498.00	2,259.00	13,075.85	12,178.83	1256993	29,985.64
November 2006	2556.50	2,367.00	13,799.08	12,937.30	1381309	34,080.16
December 2006	2668.00	2,232.00	14,035.30	12,801.65	2642207	63,252.45
January 2007	2595.00	2,105.05	14,325.92	13,303.22	2536467	58,571.58
February 2007	2572.00	2,107.00	14,723.88	12,800.91	2157255	51,283.02
March 2007	2321.35	1,940.00	13,386.95	12,316.10	2902970	61,727.66

*Source: www.bseindia.com

Performance of BHEL Share Price (High) vs BSE Sensex (High) during 2006-07



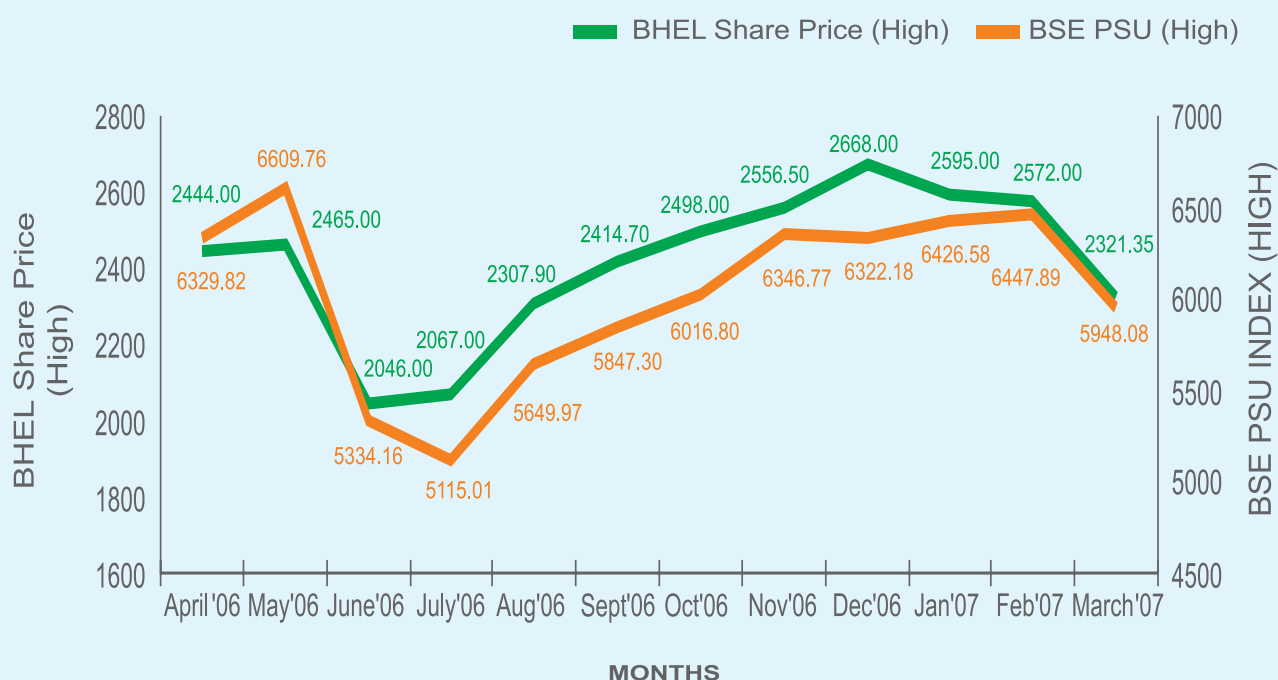
BHEL Vs. BSE PSU Index

High and low of BHEL market share price on the Bombay Stock Exchange Limited (BSE) vis-à-vis BSE PSU Index, during each month in last financial year ended March 31, 2007 are summarized as under:

Month	BHEL Share Prices (Rs.)		BSE PSU Index	
	High	Low	High	Low
April 2006	2,444.00	2,200.00	6,329.82	5,837.85
May 2006	2,465.00	1,600.10	6,609.76	4,972.62
June 2006	2,046.00	1531.20	5,334.16	4,323.37
July 2006	2,067.00	1,730.25	5,115.01	4,507.15
August 2006	2,307.90	2,026.00	5,649.97	5,009.60
September 2006	2,414.70	2,185.25	5,847.30	5,433.71
October 2006	2,498.00	2,259.00	6,016.80	5,733.24
November 2006	2556.50	2,367.00	6,346.77	5,924.78
December 2006	2668.00	2,232.00	6,322.18	5,588.80
January 2007	2595.00	2,105.05	6,426.58	5,918.11
February 2007	2572.00	2,107.00	6,447.89	5,577.19
March 2007	2321.35	1,940.00	5,948.08	5,366.80

*Source: www.bseindia.com

Performance of BHEL Share Price (High) vs PSU INDEX (HIGH) During 2006-07



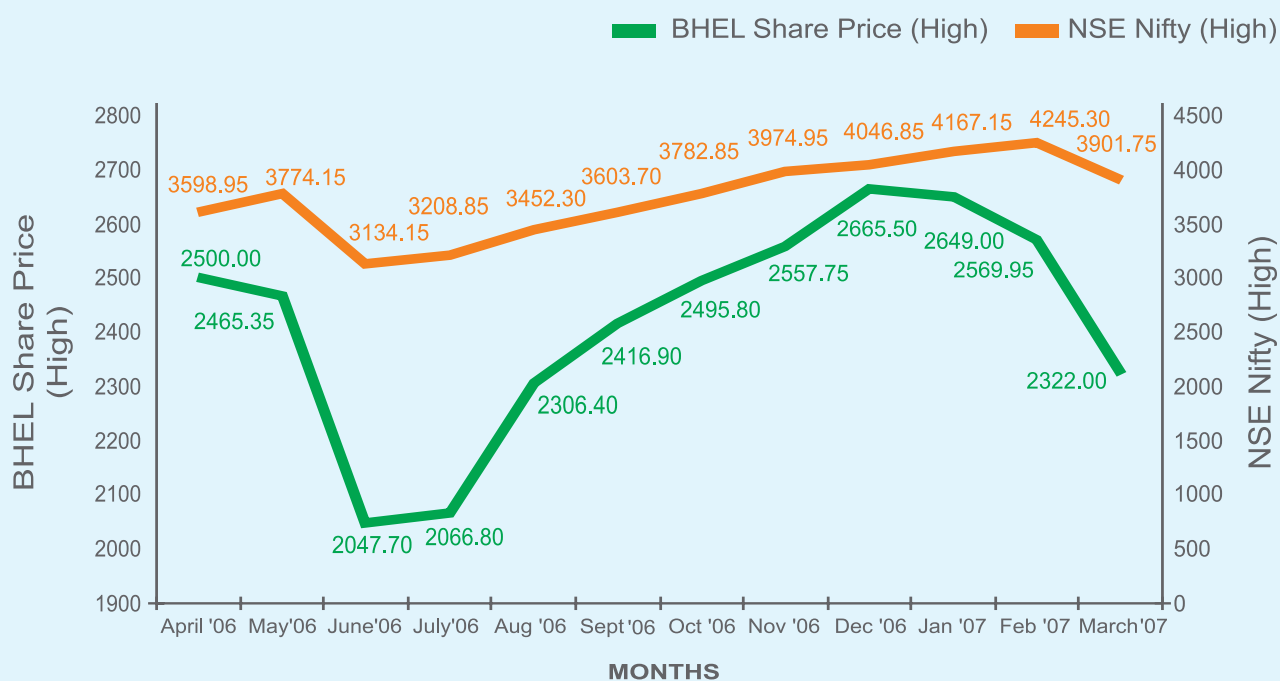
BHEL Vs. S&P CNX Nifty

High and low of BHEL market share price on the National Stock Exchange of India Limited (NSE) vis-à-vis S&P CNX Nifty, No. of shares traded and Net turnover, during each month in last financial year ended March 31, 2007 are summarized as under:

Month	BHEL Share Prices (Rs.)		NSE Nifty		No. of shares traded	Net turnover (Rs. in Lakhs)
	High	Low	High	Low		
April 2006	2500.00	2155.00	3598.95	3290.35	4687947	109556.83
May 2006	2465.35	1582.30	3774.15	2896.40	6090953	128414.28
June 2006	2047.70	1533.00	3134.15	2595.65	13578956	249895.49
July 2006	2066.80	1729.00	3208.85	2878.25	10543122	202275.55
August 2006	2306.40	2025.30	3452.30	3113.60	10857216	238510.42
September 2006	2416.90	2188.00	3603.70	3328.45	9214799	211827.09
October 2006	2495.80	2260.00	3782.85	3508.65	6378053	152588.69
November 2006	2557.75	2363.40	3974.95	3737.00	6840782	168636.81
December 2006	2665.50	2232.00	4046.85	3657.65	11395557	275166.51
January 2007	2649.00	2105.00	4167.15	3833.60	14211375	327303.32
February 2007	2569.95	2100.00	4245.30	3856.70	10041567	238080.59
March 2007	2322.00	1938.00	3901.75	3554.50	11878914	253282.60

*Source: www.bseindia.com

Performance of BHEL Share Price (High) vs S&P CNX Nifty (High) During 2006-07



ix. Policy on Insider Trading

BHEL has adopted the Code of Conduct for prevention of Insider Trading in accordance with the guidelines specified under the SEBI (Prohibition of Insider Trading) Regulations, 1992 and amended from time to time. The objective of the Code is to prevent purchase and / or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Insiders (Directors, Designated Employees and other concerned persons) are prevented to deal in the Company's shares beyond specified limits and are required to disclose related information periodically as defined in the code. The Board has appointed Director (Finance) as the Compliance Officer under the Code.

x. Registrar & Share Transfer Agent (RTA)

M/s. Karvy Computershare Private Ltd.

Delhi Address

UNIT: BHEL

105-108, Arunachal Building,

19, Barakhamba Road,

New Delhi – 110 001

Tel. : 011-23324401 / 09

Fax : 011-23730743

Hyderabad Address

UNIT: BHEL

17-24, Vittal Rao Nagar, Madhapur,

Hyderabad – 500 081

Tel. : 040-23420815-20

Fax : 040-23420814

Email : madhusudhan@karvy.com

mailmanager@karvy.com

RTA's performance in servicing shareholders has been satisfactory. All the investor grievances have been promptly attended to.

xi. Share Transfer System

Entire Share Transfer activities under physical segment are being carried out by Karvy Computershare Private Limited. The share transfer system consists of activities like receipt of shares along with transfer deed from transferees, its verification, preparation of Memorandum of Transfers, its approval by the Share Transfer Committee and dispatch of transferred certificates to the respective transferees within the prescribed time as per the Listing Agreement.

xii. Distribution of Shareholding

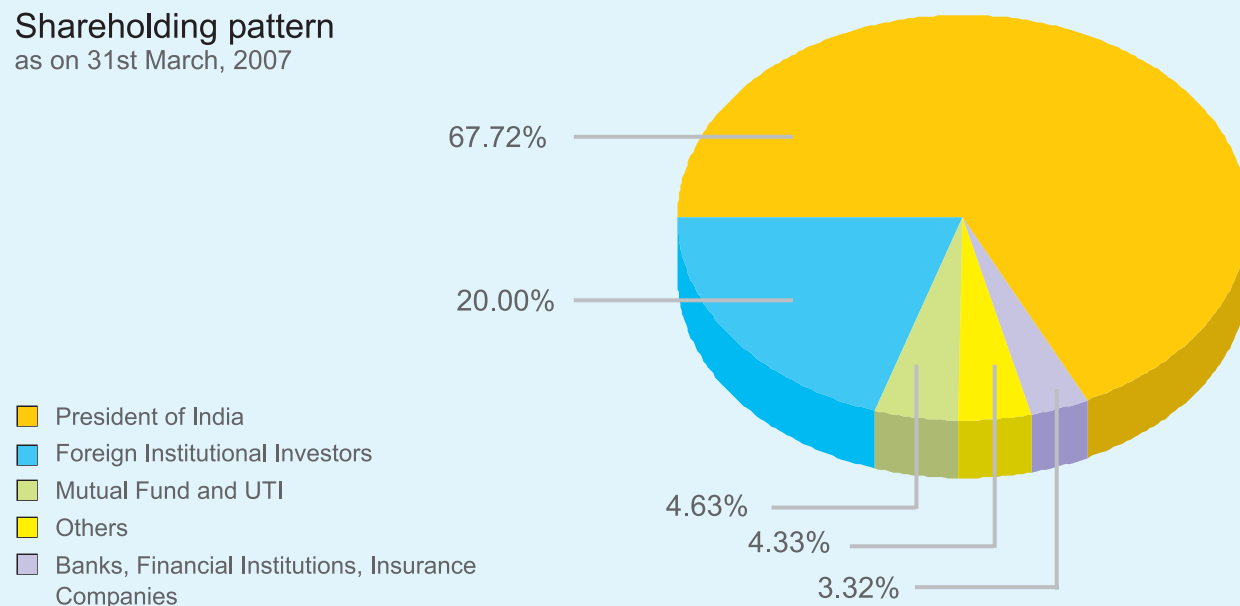
(i) Distribution of shares according to size, of holding as on 31st March 2007

No. of equity shares held	No. of Shareholders	% of shareholders	No. of shares	% of shareholding
1 - 5000	97308	98.39	3248771	1.33
5001 - 10000	600	0.61	460390	0.19
10001 - 20000	261	0.26	378604	0.15
20001 - 30000	66	0.07	163529	0.07
30001 - 40000	54	0.05	189368	0.08
40001 - 50000	39	0.04	181737	0.07
50001 - 100000	96	0.10	710407	0.29
100001 & Above	473	0.48	239427194	97.82
Total :	98897	100.00	244760000	100.00

(ii) Shareholding Pattern as on 31st March 2007

Category	2007		2006	
	Voting strength (%)	No. of shares held	Voting strength (%)	No. of shares held
Promoters Holding				
Indian Promoters-				
- President of India (POI)	67.72	165755000	67.72	165755000
- Nominees of POI	0.00	200	0.00	200
Persons acting in concert				
- Directors & relatives	0.00	1500	0.00	1310
Total Promoter holding	67.72	165756700	67.72	165756510
Non-promoters Holding				
Institutional Investors				
Mutual Funds and UTI	4.63	11323273	4.79	11732542
Banks, Financial Institutions, Insurance Companies	3.32	8122488	2.52	6160550
Foreign Institutional Investors	20.00	48945054	22.42	54874330
Others				
Private Corporate Bodies	2.58	6309868	1.37	3354519
Indian Public	1.61	3970453	1.09	2670383
NRIs/OCBs	0.11	267753	0.06	136036
Trust	0.01	12912	0.00	8203
Shares in Transit (NSDL/CDSL)	0.02	51499	0.03	66927
Total Non-promoter holding	32.28	79003300	32.28	79003490
Grand Total	100.00	244760000	100.00	244760000

Shareholding pattern
as on 31st March, 2007



(iii) List of shareholders who are holding more than 1% of the of the shares of the Company as on 31st March 2007

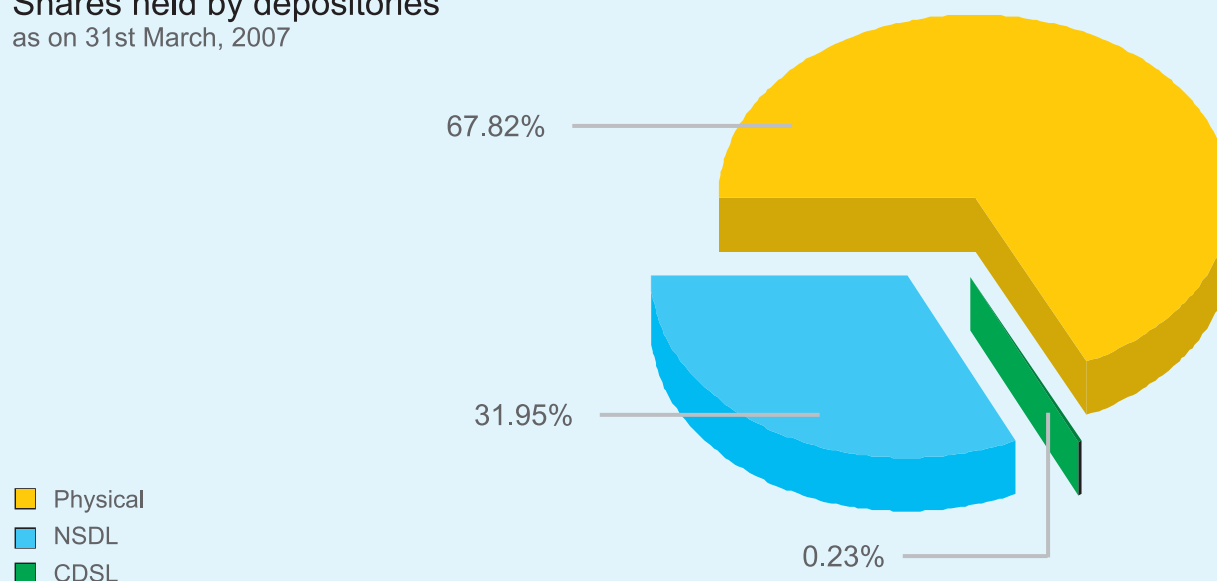
Category & Shareholder's Name	2007		2006	
	Voting strength (%)	No. of shares held	Voting strength (%)	No. of shares held
Promoters				
1. President of India	67.72	165755000	67.72	165755000
Non-promoters				
1. Life Insurance Corporation of India	1.98	4838820		
2. ICICI Prudential Life insurance Co. Ltd	1.11	2710711	1.49	3647192
FIIs				
1. J.P. Morgan Fleming Asset Management.	1.83	4481203	1.64	4009194

xiii. Dematerialisation of shares and liquidity

In accordance with the directions of the Securities & Exchange Board of India (SEBI) trading in BHEL shares by all categories of investors in demat form has been made compulsory w.e.f. 5th April 1999. BHEL has executed agreement with both the depositories of the country i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for admission of its securities under demat mode. As on 31st March, 2007, 32.18% of the total equity share capital of BHEL has been dematerialised by the shareholders and held in the name of the NSDL / CDSL. International Securities Identification Number (ISIN) allotted to Company is INE 257 A01018.



Shares held by depositories
as on 31st March, 2007



xiii. Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

Nil

xiv. Plant locations

- Heavy Electrical Equipment Plant, Haridwar
- Central Foundry Forge Plant, Haridwar
- Heavy Power Equipment Plant, Hyderabad
- High Pressure Boiler Plant, Trichy
- Heavy Electricals Plant, Bhopal
- Transformer Plant, Jhansi
- Electronics Division, Bangalore
- Boiler Auxiliaries Plant, Ranipet
- Industrial Valves Plant, Goindwal
- Electro-Porcelains Division, Bangalore
- Insulator Plant, Jagdishpur
- Component Fabrication Plant, Rudrapur
- Heavy Equipment Repair Plant, Varanasi
- Electrical Machine Repair Plant, Mumbai

xv. Address for correspondence

Shareholders can send their queries regarding Transfer of shares, Non-receipt of dividend, Revalidation of Dividend Warrants and any other correspondence relating to the shares of the Company either to:

Shri N. K. Sinha
Company Secretary
BHEL

Regd. Office: BHEL House, Siri Fort,
New Delhi – 110 049

Phone : 91 11 26001046
Fax : 91 11 26001102
Email : csynks@bhel.in

OR

KARVY COMPUTERSHARE PVT. LTD.

UNIT: BHEL

Delhi : 105-108, Arunachal Building
19, Barakhamba Road
New Delhi – 110 001

Phone : 011-23324401 / 09
Fax : 011-23730743

Hyderabad : 17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081
Email: madhusudhan@karvy.com
mailmanager@karvy.com

Phone : 040-23420815-20
Fax : 040-23420814

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

Declaration : Pursuant to Clause 49(D) of the Listing Agreement with Stock Exchanges, it is hereby declared that all Board members and Senior Management personnel have affirmed compliance with BHEL's Code of "Business Conduct and Ethics" for the financial year 2006-07.



(A.K. Puri)

Chairman and Managing Director

Place : New Delhi
Date : 30 July, 2007

CEO and CFO Certification

To,
The Board of Directors
Bharat Heavy Electricals Limited
New Delhi.

- (a) We have reviewed financial statements and the cash flow statement of Bharat Heavy Electricals Limited for the year ended 31st March, 2007 and that to the best of our knowledge and belief :
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2006-07 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee.
- (i) significant changes in internal control over financial reporting during the years 2006-07.
 - (ii) significant changes in accounting policies during the year 2006-07 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.


(C.S. Verma)
Director (Finance)


(Ashok K. Puri)
Chairman & Managing Director

Place : New Delhi
Date : 30.07.2007

Auditors' Certificate on Corporate Governance

The Members

Bharat Heavy Electricals Limited

"BHEL House", Siri Fort,

New Delhi.

We have examined the compliance of conditions of Corporate Governance by Bharat Heavy Electricals Limited, for the year ended on March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following:

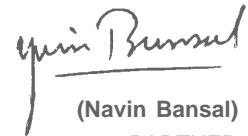
- (i) Clause 49.I (A) of the Listing Agreement requires that not less than fifty percent of the Board of Directors of the company should comprise of non-executive directors being independent. Due to casual vacancy in the Board either on account of expiry of term of Independent Directors or resignation from the Board, the company could not meet the condition. Thus the company did not have an optimum combination of executive and non-executive directors being independent on its Board of Directors during the year.
- (ii) The company is in the process of laying down procedure to inform Board members about risk assessment and minimization procedures as required by Clause 49.IV(C) of the Listing Agreement.

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of

M.L.PURI & Co.
CHARTERED ACCOUNTANTS



(Navin Bansal)

PARTNER

M. No. 91922

Place : New Delhi

Dated : 30 July, 2007

Conservation of Energy

Energy conservation is an important thrust area in BHEL. During the year the savings due to implementation of projects in the areas of energy conservation was Rs. 7 Crore as against Rs. 6 Crore in the previous year. Energy Cost as a percentage of Gross Turnover, net of excise, for the year is 1.52% as against 1.49% in the previous year.

Various thrust areas for conservation of energy are as follows:

1. Load planning for reduction in maximum demand of power.
2. Maximizing use of daylight.
3. Modification of lighting system using energy efficient lamps.
4. Optimum utilization of furnaces.
5. Arresting leakage in compressed air, steam piping and electrical system.
6. Use of alternate fuel.
7. Providing variable speed drives for motors on machines.

Energy Conservation (ENCON) awareness week was celebrated between 7-14 December 2006 at the units, townships, schools and adopted villages.

Technology Absorption and Research & Development

Research & Development

- | | | |
|---|---|--------------------------------|
| 1. Specific areas in which R&D carried out by the Company | } | Given in the Directors' Report |
| 2. Benefits derived as a result of the above R&D | } | under "R&D and Technology" |
| 3. Future plan of action: | } | |

The following are the major thrust areas for R&D and technology:

- Advanced control and instrumentation platform for thermal power plant and industrial application
- Performance Analysis, Diagnostics and Optimization (PADO) systems for thermal power plant application
- More efficient conventional thermal power plants using supercritical parameters
- Integrated Gasification Combined Cycle (IGCC) power plants
- Atmospheric and Circulating Fluidized Bed Combustion (CFBC) boilers
- Hydro power plants with higher efficiency and longer life
- HVDC transmission systems
- Flexible AC Transmission systems, including devices such as Thyristor Controlled Series Compensation, phase shifting transformer, static synchronized compensator (STATCOM), controlled shunt reactor, etc.
- Gas insulated switchgear
- 765 kV Transmission systems
- Industrial steam turbines
- Pulverisers
- Compressors
- High efficiency boiler feed pumps
- Reduction of emissions
- Efficient, reliable and cost effective transportation systems like three-phase AC drive system for diesel electric locos
- Non-conventional energy systems
- Simulators
- Welding technologies
- Surface coatings
- Vibration and noise reduction

- Residual life assessment studies
- Cycle time and cost reduction
- Specialized engineering software applications
- IGBT – based applications
- Underground Coal Gasification
- Knowledge Management
- Intelligent machines & robotics
- Nano-technology applications
- Hydrogen energy and fuel cells

4. Expenditure on R&D

Total	....	Rs. 253 Crore
a) Recurring	....	Rs. 244 Crore
b) Capital		Rs. 8 Crore
Expenditure as a percentage of total turnover	....	1.35%

Technology Absorption and Adoption

Details of technology imported during the last 5 years:

Technology	Year of import	Absorption status
Axial Fans	2002	Technology absorbed. Orders executed.
Once through boilers	2005	Technology absorption in progress.

Foreign Exchange Earnings and Outgoings

- a) Activities relating to export information are given in the Directors' Report under the heading 'International Business'.
- b) Total foreign exchange used and earned:

(Rupees in Crore)

	2006-07	2005-06
(i) Foreign Exchange Used	2603.84	2443.10
(ii) Foreign Exchange Earned	3660.14	1929.40

Auditors' Report

TO THE MEMBERS OF BHARAT HEAVY ELECTRICALS LIMITED

We have audited the attached Balance Sheet of Bharat Heavy Electricals Limited as at 31st March, 2007 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

- I. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that :
 - (1) *The balances of Sundry Debtors, Creditors, Contractors Advances, Deposits and Stocks/materials lying with Sub-contractors/Fabricators are subject to confirmation and reconciliation. The consequential impact thereof, if any, on the accounts could not be ascertained.*
 - (2) Provision for Contractual obligations is made @ 2.5% of contract value as in previous years in accordance with the Accounting Policy No.14. Accounting Standard (AS) 29 of the Institute of Chartered Accountants of India requires inter-alia that the provision should reflect the current best estimate of expenditure to be incurred on this account and that the expected timing of any resulting outflow of economic benefits is to be disclosed. In the

- (1) Requests for confirmations are sent and reconciliations with the parties are carried out as an ongoing process and the management does not envisage any significant impact on the accounts due to this.
- (2) The Company's policy of providing for contractual obligation @ 2.5% of contract value is consistent over the years and is on a conservative basis. The Company reviewed the Policy and decided to continue the same for the years 2005-06 and 2006-07 and, in the meantime, to review the actual expenditure and take a view thereafter.

absence of sufficient data regarding the appropriateness of the above provision, we are unable to express an opinion as to whether the provision made is in line with the above Accounting Standard.

- (3) Attention is drawn to:
- (i) Note No.18(a) (i) & (ii) of Schedule 19 regarding change in accounting practice relating to leave liability & LTC/ LTA Encashment resulting in increase in profit for the year by Rs. 40.53 Crores & Rs. 28.10 Crores respectively.
 - (ii) Note No 18(b) of Schedule 19 regarding change in accounting practice relating to encashment of Half Pay Leave (HPL) resulting in decrease in profit for the year by Rs. 70.18 Crores.
- (4) We further report that overall impact of the adjustments to be carried out as per our remarks as given in Paras II(1) to II(2) above could not be determined.

Subject to the foregoing and consequential effect thereof:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
- (c) The Branch Auditor's Reports have been furnished to us and have been appropriately dealt with while preparing our report.
- (d) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns received from the branches.
- (e) In our opinion, the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub Section (3C) of Section 211 of the Companies Act, 1956.
- (f) In terms of Notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs, Government of India, the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to the Company.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said

accounts read together with the Accounting Policies and Explanatory Notes in Schedule-19, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007; and
- (ii) In case of Profit & Loss Account of the profit for the year ended on that date; and
- (iii) In the case of cash flow statements of the cash flows for the year ended on that date.

For M.L. Puri & Co.
Chartered Accountants


(Navin Bansal)
Partner

Membership No. 091922

New Delhi, May 25, 2007

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Annexure to the Auditors' Report

MANAGEMENT'S REPLIES

(Referred to in Para I of our report of even date)

- i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) We are informed that management has generally carried out the physical verification of a portion of the fixed assets in accordance with their phased programme of physical verification, which is considered reasonable having regard to the size of the Company and nature of its business and no material discrepancies were noticed on such verification to the extent verification was made during the year. In respect of 65 locomotives given to Indian Railways on lease instead of physical verification a certificate confirming physical possession of these locomotives has been obtained from Indian Railways as per the lease agreement.
- (c) The company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- ii) (a) As explained to us physical verification of inventory has been conducted by the management under Perpetual Inventory Programme at regular intervals during the year except for stock of work in progress and finished goods in few units where these are verified at the year end with reference to the inspection reports and production reports of the Production Planning Department of such units. In regard to stocks lying with contractors/fabricators and other parties, confirmations were received in a few cases only. Subject to the above, in our opinion the frequency of verification is reasonable.
- (b) In our opinion procedures of physical verification of inventory, followed by the management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company has generally maintained proper records of inventory and the discrepancies noticed on physical verification of inventory with regard to the size and nature of operations of the company were not material and have been properly dealt with in the books of account of the Company.
- iii) (a) According to the information given to us, the company has not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the current year.

Requests for confirmations are sent to contractors/fabricators and other parties and reconciliations with them are carried out as an ongoing process and the management does not envisage any significant impact on the accounts due to this.

- (b) According to the information given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the current year.
- iv) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. Further on the basis of our examination of the books and records of the company, and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control systems.
- v) According to the information and explanation given to us, we are of the opinion that there are no contracts and arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the current year.
- vi) According to the information and explanation given to us, the company has not accepted any deposits from public during the year within the meaning of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 framed there under.
- vii) In our opinion, the Internal Audit System of the Company is largely commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts and records maintained by the company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under section 209 (I) (d) of the Companies Act, 1956 in respect of manufacture of Electric Motors, Seamless Steel Tubes, Electric Generator, Power Transformers, Power Driven Pumps, Power generation through windmills, Control Instrumentation and Automation Equipment, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.
- ix) (a) According to the information and explanation given to us, and books and records as produced and examined by us, in our opinion, the company

is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess and any other material statutory dues as applicable with appropriate authorities. According to the information and explanation given to us, except Ground rent of Rs.3.39 Crores there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess and other statutory dues outstanding as at 31st March, 2007 for a period of more than six months from the date they become payable.


(b) According to the information and explanation given to us, the particulars of Sales Tax, Income Tax, Excise Duty, Service Tax, Custom Duty and Cess which have not been deposited on account of dispute are as under:

The Company is continuously pursuing the case with DDA for early settlement.

Sl. No.	Name of the Statute	Nature of the Dues	Amount (Rs. in Crores)	Forum where dispute is pending
1.	Central Sales Tax Act, Work Contract Tax Act, Lease Tax, Entry Tax Act and Sales Tax Act of Various States	Sales Tax Entry Tax & Work Contract Tax	14.22	Assessing Officer
			91.90	Commissioner/Dy. Commissioner
			43.54	Appellate Tribunal
			46.84	High Court
			43.22	Various Appellate Authorities
2.	Income Tax Act, 1961	Income Tax	0.06	Assessing Officer
			1.76	High Court
3.	Central Excise Act, 1944	Excise Duty	1.01	Assessing Officer
			7.92	Commissioner (Appeals)
			119.35	Appellate Tribunal
			0.43	Various Appellate Authorities
4.	Service Tax under the Finance Act, 1994	Service Tax	8.24	Assessing Officer
			5.70	Commissioner (Appeals)
5.	Custom Act	Custom Duty	0.76	Various Appellate Authorities
		Total	384.95	

- x) The company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to Chit fund/ Nidhi / Mutual benefit fund/Societies are not applicable to the company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) As per information and explanations given to us, the company has not obtained any term loan during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) In our opinion, the company has not issued any debentures during the year.
- xx) The company has not raised any money by public issue during the year.
- xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor have we been informed of any such case by the management.

For M. L. Puri & Co.
Chartered Accountants


(Navin Bansal)
Partner

Membership No. 091922

New Delhi, May 25, 2007

Comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the accounts of Bharat Heavy Electricals Limited, New Delhi for the year ended 31 March 2007

Comments of C&AG	Management's Reply
<p>A. Profit & Loss Account</p> <p>Profit after tax – Rs. 2414.70 crore</p> <p>1. The Company has neither billed nor accounted for Exchange Rate Variation amounting to Rs. 12.90 crore (including previous years as estimated by the Company) in respect of Super Rapid Gun Mounts supplied to various customers though the same was receivable in terms of the agreements. This has resulted in understatement of sundry debtors and profit by Rs. 12.90 crore.</p>	<p>The operation of ERV clause with base rate of foreign exchange of multiple currencies as on January 2, 1993, involve the following issues in determining claim for ERV:</p> <ol style="list-style-type: none"> Identification of Purchase order against which items have been imported for use in respective SRGM. Establishing linkage of consumption of imported components with actual remittance in respective foreign currencies under each SRGM with respective Purchase order. Documentary evidence to the satisfaction of customers for the actual cost of imported components used under each SRGM. <p>The amount of Rs. 12.90 crores is an indicative probable impact of ERV, worked out based on one currency, maximum ceiling of foreign currency content and one ERV date as per limit given in contracts.</p> <p>The required linkages are being established and accordingly accountal of ERV as per the contract terms shall be made during financial year 2007-08.</p>
<p>B. Disclosure</p> <p>2. The Company had an Authorized Share Capital of Rs. 325 crore and an Issued, Subscribed & Paid up Capital of Rs. 244.76 crore as on 31st March 2007. In the Extraordinary General Meeting on 30th April 2007, the members of the Company approved increase in the Authorised Share Capital from Rs. 325 crore to Rs. 2000 crore as well as issue of fully paid-up bonus shares of Rs. 10 each to the equity shareholders in proportion of one equity share of Rs. 10 each for every one equity share of Rs. 10 each held by them on the record date of 1 June 2007. As a result, the Authorised Share Capital increased by Rs. 1675 crore and Issued, Subscribed & Paid up Capital by Rs. 244.76 crore with the corresponding reduction in the General Reserve by Rs. 244.76 crore. The Company has made the provision of Rs. 293.71 crore for proposed final dividend for the year 2006-07 based on the enhanced paid-up capital of Rs. 489.52 crore consequent upon the issue of bonus shares.</p> <p>These material events occurring after the date of the Balance Sheet have not been disclosed in the accounts as required by the Accounting Standard-4 prescribed under section 211(3C) of the Companies Act 1956.</p> <p>(MEERA SWARUP) Principal Director of Commercial Audit and Ex-officio Member, Audit Board-III, New Delhi</p> <p>Place : New Delhi Dated : 18/07/2007</p>	<p>The Board of Directors in January, 2007 recommended the issue of Bonus Shares in the ratio of 1:1 to the Shareholders of the company. In the Extraordinary General Meeting of the Shareholders of the company held on 30th April, 2007 the Shareholders approved increase in Authorised Share Capital from Rs. 325 crores to Rs. 2000 crores of Face Value of Rs. 10/- per Equity Share and issue of bonus shares in the ratio of 1:1, which will rank pari-passu for payment of dividend along with the existing share capital of the company as per the listing requirement. Bonus shares were allotted on 6th June 2007 to the shareholders, whose names were recorded in the Register of Members as on 1st June, 2007.</p> <p>Provision for final dividend for the year 2006-07 has been made based on the enhanced share capital. The outcome of EGM on approval of enhancement of authorized share capital and issue of bonus shares were informed immediately to Stock Exchanges for information to the shareholders.</p> <p>The required disclosure has been made in the Directors' Report 2006-07.</p>

Annual Accounts

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Significant Accounting Policies

1. Basis of preparation of Financial Statements

The financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

2. Fixed Assets

Fixed assets (other than land acquired free from State Government) are carried at the cost of acquisition or construction or book value less accumulated depreciation. Cost includes value of internal transfers for capital works, taken at actual / estimated factory cost or market price, whichever is lower. Effect of extraordinary events such as devaluation / revaluation in respect of long term liabilities / loans utilised for acquisition of fixed assets is added to / reduced from the cost. Land acquired free of cost from the State Government is valued at Re.1/- except for that acquired after 16th July 1969, in which case the same is valued at the acquisition price of the State Government concerned, by corresponding credit to capital reserve.

3. Leases

FINANCE LEASE

A) i) Assets Given on Lease Prior to 1st April 2001

Assets manufactured and given on finance lease are capitalised at the normal sale price/fair value/contracted price and treated as sales. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. Against lease rentals, matching charge is made through Lease Equalisation Account. Finance income is recognised over the lease period.

(ii) Assets Given on Lease on or after 1st April 2001

Assets manufactured and given on finance lease are recognised as sales at normal sale price / fair value / NPV. Finance income is recognised over the lease period. Initial direct costs are expensed at the commencement of lease.

B) Assets Taken on Lease on or after 1st April 2001

Assets taken on lease are capitalised at fair value/ NPV / contracted price. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over

its useful life or lease period, whichever is shorter. Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

OPERATING LEASE

Assets Given on Lease:

Assets manufactured and given on operating lease are capitalised. Lease income arising therefrom is recognised as income over the lease period.

Assets Taken on Lease:

Lease payments made for assets taken on operating lease are recognised as expense over the lease period.

4. Intangible Assets

A. Intangible assets are capitalised at cost if

- it is probable that the future economic benefits that are attributable to the asset will flow to the company, and
- the company will have control over the assets, and
- the cost of these assets can be measured reliably and is more than Rs.10,000/-Intangible assets are amortised over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis.

B. a. Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.

b. Expenditure incurred on Development including the expenditure during the development phase of Research & Development Project meeting the criteria as per Accounting Standard on Intangible Assets, is treated as intangible asset.

c. Fixed assets acquired for purposes of research and development are capitalised.

5. Borrowing Costs

Borrowing costs that are attributable to the manufacture, acquisition or construction of qualifying assets, are included as part of the cost of such assets. A qualifying asset is one that necessarily takes more than twelve months to get ready for intended use or sale. Other borrowing costs are recognised as expense in the period in which they are incurred.

6. Depreciation

(i) Depreciation on fixed assets (other than those used abroad under contract) is charged upto the total cost of the assets on straight-line method as per the rates

prescribed in Schedule XIV of the Companies Act, 1956, except where depreciation is charged at rates determined on the basis of the technically assessed estimated useful lives shown hereunder:

	Single Shift	Double Shift	Triple Shift
General Plant & Machinery	8%	12%	16%
Automatic/Semi-Automatic Machines	10%	15%	20%
Erection Equipment, Capital Tools & Tackles	20%		
Township Buildings			
– Second Class	2.5%		
– Third Class	3.5%		
Railway Sidings	8%		
Locomotives & Wagons	8%		
Electrical Installations	8%		
Office & Other Equipments	8%		
Drainage, Sewerage & Water supply	3.34%		
Electronic Data Processing Equipment	20%		

In respect of additions to/deductions from the fixed assets, depreciation is charged on pro-rata monthly basis.

- (ii) Fixed assets used outside India pursuant to long term contracts are depreciated over the duration of the initial contract.
- (iii) Fixed assets costing Rs.10,000/- or less and those whose written down value as at the beginning of the year is Rs.10,000/- or less, are depreciated fully. In so far as township buildings are concerned, the cost per tenement is the basis for the limit of Rs.10,000/-.
- (iv) At erection/project sites: The cost of roads, bridges and culverts is fully amortized over the tenure of the contract, while sheds, railway sidings, electrical installations and other similar enabling works (other than purely temporary erections, wooden structures) are so depreciated after retaining 10% as residual value.
- (v) Purely Temporary Erection such as wooden structures are fully depreciated in the year of construction.
- (vi) Leasehold land and Buildings are amortised over the period of lease. Buildings constructed on land taken on lease are depreciated over their useful life or the lease period, whichever is earlier.
- (vii) Where the carrying amount on any fixed assets has undergone a change in accordance with the policy for Foreign Currency Transactions, the

depreciation on the unamortised depreciable asset is spread over the residual useful life of the asset.

7. Investments

- (i) Long-term investments are carried at cost. Decline, other than temporary, in the value of such investments, is recognised and provided for.
- (ii) Current investments are carried at cost or quoted/fair value whichever is lower. Unquoted current investments are carried at cost.
- (iii) The cost of investment includes acquisition charges such as brokerage, fees and duties. Any reduction in the carrying amount & any reversals of such reductions are charged or credited to the Profit & Loss Account.

8. Inventory Valuation

- (i) Inventory is valued at actual/estimated cost or net realisable value, whichever is lower.
- (ii) Finished goods in Plant and work in progress involving Hydro and Thermal sets including gas based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets are valued at actual/estimated factory cost or at 97.5% of the realisable value, whichever is lower.
- (iii) In respect of valuation of finished goods in plant and work-in-progress, cost means factory cost; actual/estimated factory cost includes excise duty payable on manufactured goods.
- (iv) In respect of raw material, components, loose tools, stores and spares cost means weighted average cost.
- (v)
 - a) For Construction contracts entered into on or after 01.04.2003: Where current estimates of cost and selling price of a contract indicates loss, the anticipated loss in respect of such contract is recognised immediately irrespective of whether or not work has commenced.
 - b) For all other contracts: Where current estimates of cost and selling price of an individually identified project forming part of a contract indicates loss, the anticipated loss in respect of such project on which the work had commenced, is recognised.
 - c) In arriving at the anticipated loss, total income including incentives on exports/deemed exports is taken into consideration.
- (vi) The components and other materials purchased / manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.

9. Revenue Recognition

Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the

customer. Sales include goods dispatched to customers by partial shipment.

- A. For construction contracts entered into on or after 1.4.2003. Revenue is recognized on percentage completion method based on the percentage of actual cost incurred upto the reporting date to the total estimated cost of the contract.
- B. For all other contracts
- (i) Recognition of sales revenue in respect of long production cycle items (Hydro and Thermal sets including gas-based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets) is made on technical estimates. When the aggregate value of shipments represents 30% or more of the realizable value, they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under the contract.
- (ii) Income from erection and project management services is recognized on work done based on: Percentage of completion; or The intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.
- (iii) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.
- (iv) Income from supply/erection of non-BHEL equipment/ systems and civil works is recognized based on dispatches to customer/work done at project site.

10. Accounting for Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise, except in respect of the liabilities for the acquisition of fixed assets from outside India, where such exchange difference is adjusted in the carrying cost of fixed assets.

11. Translation of Financial Statements of Integral Foreign Operations

- (i) Items of income and expenditure are translated at average rate except depreciation, which is converted at the rates adopted for the corresponding fixed assets.
- (ii) Monetary items are translated at the closing rate; non-monetary items carried at historical cost are translated at the rates in force on the date of the transaction; non-monetary items carried at fair value are translated at exchange rates that existed when the value were determined.

- (iii) All translation variances except in relation to fixed assets are taken to Profit & Loss Account.

12. Employee Benefits

Earned leave, half pay leave, Provident Fund and Employees' Family Pension Scheme contributions are accounted for on accrual basis. Liability for gratuity, travel claims on retirement and post retirement medical benefits are accounted for in accordance with actuarial valuation. The actuarial liability is determined with reference to employees at the beginning of each calendar year. Compensation under Voluntary Retirement Scheme is charged off in the year of incurrence on a pro-rata monthly basis.

13. Claims by/against the Company

- (i) Claims for liquidated damages against the Company are recognised in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.
- (ii) Claims for export incentives / duty drawbacks / duty refunds and insurance claims etc. are taken into account on accrual.
- (iii) Amounts due in respect of price escalation claims and/or variations in contract work are recognised as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.

14. Provision for Warranties

- i) **For construction contracts entered into on or after 01.04.2003** : Provision for contractual obligations is maintained at 2.5% of the contract value on completion of trial operation.
- ii) **For all other contracts** : Provision for contractual obligations in respect of contracts under warranty at the year end is maintained at 2.5% of the value of contract. In the case of contracts for supply of more than a single product 2.5% of the value of each completed product is provided.
- (iii) Warranty claims / expenses on rectification work are accounted for against natural heads as and when incurred and charged to provisions in the year end.

15. Government Grants

Government Grants are accounted when there is reasonable certainty of their realisation. Grants related to fixed depreciable assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve. Grants related to revenue, unless received as compensation for expenses/losses, are recognised as revenue over the period to which these are related on the principle of matching costs to revenue. Grants in the form of non-monetary assets are accounted for at the acquisition cost, or at nominal value if received free.

Balance Sheet as at March 31, 2007

(Rs. in Crores)

	Schedule	AS AT 31.3.2007		AS AT 31.3.2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	244.76		244.76	
Reserves & Surplus	2	8543.50	8788.26	7056.62	7301.38
Loans Funds					
Secured Loans	3	0.00		500.00	
Unsecured Loans	4	89.33	89.33	58.24	558.24
Total		8877.59		7859.62	
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		4135.05		3822.06	
Less: Depreciation/Amortisation to-date		3117.05		2852.76	
		1018.00		969.30	
Add : Lease Adjustment Account		-29.26		12.98	
Net Block	5	988.74		982.28	
Capital Work-in-Progress	6	302.54	1291.28	184.57	1166.85
Investments	7		8.29		8.29
Deferred Tax Assets (Refer note no. 22 of Schedule 19)			935.16		673.72
Current Assets, Loans and Advances					
Current Assets	8				
Inventories		4217.67		3744.37	
Sundry Debtors		9695.82		7168.07	
Cash & Bank Balances		5808.91		4133.97	
Other current assets		199.70		84.50	
Loans and advances	9	1140.87		1199.87	
		21062.97		16330.78	
Less:					
Current Liabilities & Provisions					
Current Liabilities	10	11897.87		8807.74	
Provisions	11	2522.24		1512.28	
		14420.11		10320.02	
Net current assets			6642.86		6010.76
Total			8877.59		7859.62

Notes to Accounts 19

Schedules 1 to 19 & Significant accounting policies form an integral part of the Accounts.

For and on behalf of Board of Directors

(N K Sinha)
Secretary

(C. S. Verma)
Director(Finance)

(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For M.L. Puri & Company
Chartered Accountants

Date : 25.05.2007
Place: New Delhi

Navin Bansal
Partner
M.No. 091922

Profit & Loss Account for the year ended March 31, 2007

(Rs. in Crores)

	Schedule	For the year ended 31.03.2007	For the year ended 31.03.2006
EARNINGS			
Turnover (Gross)	12	18738.95	14525.49
Less Excise Duty & Service Tax		1501.42	1151.46
Turnover (Net)		17237.53	13374.03
Other income	12A	823.56	546.92
Accretion (Decretion) to Work-in-progress & Finished Goods	13	181.19	386.01
		18242.28	14306.96
OUTGOINGS			
Consumption of Material, Erection and Engineering Expenses	14	10181.86	8146.52
Employees' remuneration & benefits	15	2368.95	1878.51
Other expenses of manufacture, Administration, selling and distribution Provisions	16	1496.11	1170.05
	17	171.86	282.75
Interest & other borrowing costs	18	43.33	58.75
Depreciation and amortisation	5	272.97	245.93
Less: Cost of jobs done for internal use		28.36	36.38
		14506.72	11746.13
Profit before prior period items		3735.56	2560.83
Add : Priod period items (Net)	18A	0.51	3.52
Profit before tax		3736.07	2564.35
Less: Provision for taxation	18B	1321.37	885.19
Profit after tax		2414.70	1679.16
Add: Balance of profit brought forward from last year		219.06	237.64
Foreign project reserve written back		1.45	6.93
Profit available for appropriation		2635.21	1923.73
Less: Appropriation-			
-Bonds Redemption Reserve		0.00	100.00
-General Reserve		1500.00	1200.00
-Dividend (Incl. Interim Dividend Rs.305.95 Crores, Prev. year Rs.305.95 Crores)		599.66	354.90
-Corporate Dividend tax (incl. Rs.42.91Crores on interim dividend, Prev. year Rs. 42.91 Crores)		92.83	49.77
		2192.49	1704.67
Balance carried to Balance Sheet		442.72	219.06
Basic and Diluted Earning per share (in Rs.)		98.66	68.60

Notes to Accounts

19

Schedules 1 to 19 & Significant accounting policies form an integral part of the Accounts.

For and on behalf of Board of Directors

(N K Sinha)
Secretary

(C. S. Verma)
Director(Finance)

(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For M.L. Puri & Company
Chartered Accountants

Date : 25.05.2007
Place: New Delhi

Navin Bansal
Partner
M.No. 091922

Cash Flow Statement for the year ended March 31, 2007

(Rs. in Crores)

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax as per Profit and Loss Account	3736.07	2564.35
Adjustment for		
Depreciation/Amortisation	273.16	245.92
Lease Equalisation	42.24	21.67
Profit on sale of Fixed assets	-1.15	-3.30
Provision for loss on investment	0.00	0.66
Interest paid	43.33	58.75
Interest/Dividend Income	-335.86	-170.37
Operating Profit before Working Capital changes	3757.79	2717.68
Adjustment for		
Trade & Other Receivables	-2474.12	-1168.13
Inventories	-473.30	-828.26
Trade Payable & Advances	3545.00	1918.30
Cash generated from operations	4355.37	2639.59
Direct Taxes Paid	-1534.00	-1015.76
NET CASH INFLOW FROM OPERATING ACTIVITIES	2821.37	1623.83
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-442.36	-301.49
Sale and Disposal of Fixed Assets	6.34	6.01
Purchase of Investment	0.00	0.00
Sale of Investments	0.00	0.00
Interest & Divident Receipts	223.36	138.97
NET CASH USED IN INVESTING ACTIVITIES	212.66	156.51
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Borrowings	-469.36	20.82
Dividend Paid (including tax on dividend)	-405.14	-473.73
Interest paid	-59.27	-58.30
NET CASH USED IN FINANCING ACTIVITIES	933.77	511.21
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	1674.94	956.11
Opening Balance of Cash and Cash Equivalents	4133.97	3177.86
Closing Balance of Cash and Cash Equivalents	5808.91	4133.97

For and on behalf of Board of Directors

(N. K. Sinha)
Secretary

(C. S. Verma)
Director(Finance)

(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For M.L. Puri & Company
Chartered Accountants

Date : 25.05.2007
Place: New Delhi

Navin Bansal
Partner
M. No. 091922

Schedule-1 Share Capital

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Authorised		
32,50,00,000 (Previous Year 32,50,00,000) equity shares of Rs. 10/- each	325.00	325.00
Issued, Subscribed & Paid up		
24,47,60,000 (Previous Year 24,47,60,000) Equity shares of Rs. 10/- each fully paid up, of which 7,41,11,200 (Previous Year 7,41,11,200) shares allotted for consideration other than cash	244.76	244.76
	244.76	244.76

Schedule-2 Reserves & Surplus

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Capital Reserve		
Opening Balance	2.75	2.75
Foreign Project Reserve		
Opening Balance	5.02	11.95
Less: Transferred to Profit & Loss Account	1.45	6.93
	3.57	5.02
Bonds Redemption Reserve Account		
Opening Balance	500.00	400.00
Add: Transferred from Profit & Loss Account	0.00	100.00
Less : Transferred to General Reserve Account	500.00	0.00
	0.00	500.00
General Reserve		
Opening Balance	6329.79	5129.79
Add: Transferred from Bonds Redemption Reserve Account	500.00	0.00
Less : Adjustment of Transitional Provision AS-15 (R)	235.33	0.00
Add : Transferred from Profit & Loss Account	1500.00	1200.00
	8094.46	6329.79
Profit & Loss Account		
	442.72	219.06
	8543.50	7056.62

Schedule-3 Secured Loans

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
8.85% Non-convertible, secured, Redeemable Taxable Bonds	0.00	500.00
	0.00	500.00

Schedule-4 Unsecured Loans

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Credits for Assets taken on lease (Due within one year Rs. 30.52 Crores (Previous year Rs. 19.66 Crores))	85.96	55.32
Interest accrued and due on :		
– State Government Loans	2.33	2.33
– Credits for Assets taken on lease	1.04	0.59
	89.33	58.24



Schedule-5

Fixed Assets

(Rs. in Crores)

Particulars	Gross Block			Cost As at 31.03.2007	Depreciation		Net Block		Depreciation/Amortisation for the year
	Cost as at 31.03.2006	Additions/adjustments during the year	Dductions/adjustments during the year		Lease adjustment Account	Depreciation/Amortisation upto 31.03.2007	As at 31.03.2007	As at 31.03.2006	
Factory/Office Complex									
Freehold land (incl. development exp.)	4.32		0.09	4.23			4.23	4.32	
Leasehold land (incl. development exp.)	6.15			6.15		0.42	5.73	5.75	0.01
Roads, bridges and culverts	7.66	0.21	0.74	7.13		2.85	4.28	4.83	0.16
Buildings	290.48	22.52	4.84	308.16		195.99	112.17	112.86	21.20
Leashold buildings	3.01		-0.03	3.04		1.05	1.99	2.03	0.05
Drainage, sewerage and water supply	12.61	0.06	0.47	12.20		9.20	3.00	3.58	0.30
Railway siding	7.65	0.03		7.68		7.54	0.14	0.12	0.02
Locomotives and wagons	16.01			16.01		14.70	1.31	1.71	0.41
Plant & Machinery	2148.34	162.17	3.70	2306.81		1901.44	405.37	370.21	126.55
Electronic data processing equipments	89.16	4.98	-0.85	94.99		82.69	12.30	16.84	5.53
Electrical installations	82.24	6.11	0.55	87.80		65.52	22.28	18.99	2.73
Construction equipment	199.76	24.28	0.80	223.24		155.03	68.21	62.90	18.98
Vehicles	18.00	0.63	0.35	18.28		15.12	3.16	3.44	0.88
Furniture & Fixtures	8.26	2.68	0.11	10.83		5.14	5.69	3.64	0.52
Office & other equipments	61.79	2.94	-0.46	65.19		48.63	16.56	16.63	2.88
Fixed assets costing upto Rs. 10000/-	45.39	4.82	0.28	49.93		49.93			4.82
Capital expenditure	0.44			0.44		0.44			
Assets Given on Lease	497.15			497.15	-29.26	366.71	101.18	183.20	39.77
EDP Equipment taken on lease	83.96	53.02	4.33	132.65		52.86	79.79	49.48	23.33
Office & other equipment taken on lease	6.68	0.11	1.54	5.25		2.28	2.97	3.56	0.63
Intangible Assets									
- Internally developed									
- Software	0.00	0.01		0.01			0.01		0.03
- Others	0.54	0.13	-0.33	1.00		0.35	0.65	0.49	0.26
Others									
- Software	22.18	30.83	-1.17	54.18		27.79	26.39	10.48	16.06
- Technical Know-how	5.62	5.26		10.88		5.34	5.54	1.07	0.79
- Others	5.53	4.09		9.62		5.87	3.75	2.52	2.85
	3622.93	324.88	14.96	3932.85	-29.26	3016.89	886.70	878.65	268.76
Township/Residential									
Freehold land (incl. development exp.)	2.15		-0.09	2.24			2.24	2.15	
Leasehold land (incl. development exp.)	2.04			2.04		0.48	1.56	1.58	0.02
Roads, bridges and culverts	4.88			4.88		2.52	2.36	2.44	0.08
Buildings	130.04	0.58	-0.27	130.89		52.34	78.55	79.74	1.97
Leasehold buildings	0.41			0.41		0.23	0.18	0.19	0.01
Drainage, sewerage and water supply	16.62		-0.12	16.74		12.20	4.54	4.85	0.40
Plant and Machinery	9.63	0.38	-0.16	10.17		7.74	2.43	2.46	0.43
Electrical installations	16.08	0.07	-0.03	16.18		12.59	3.59	3.91	0.38
Vehicles	1.07	0.08	-0.06	1.21		1.06	0.15	0.11	0.04
Furniture & Fixtures	0.12	0.06	-0.02	0.20		0.09	0.11	0.07	0.03
Office & other equipments	14.24	0.97	-0.14	15.35		9.02	6.33	6.13	0.80
Fixed assets costing upto Rs. 10000/-	1.85	0.05	0.01	1.89		1.89			0.05
	199.13	2.19	-0.88	202.20		100.16	102.04	103.63	4.21
Total of Factory & Township	3822.06	327.07	14.08	4135.05	-29.26	3117.05	988.74	982.28	272.97
Previous year	3628.94	208.34	15.22	3822.06	12.98	2852.76	982.28	1044.24	245.93

Gross Block as at 31.03.2007 includes assets condemned and retired from active use Rs. 25.01Crores (Previous year Rs. 1.77 Crores).

Net Block as at 31.03.2007 includes assets condemned and retired from active use Rs. 0.06 Crores (Previous year Rs.Nil Crores)

Gross Block excludes cost of assets purchased out of grant received from Government of India Rs.30.81 Crores (Previous Year Rs.30.81Crores) for research and assets as executing agency since the property does not vest with the Company.

The Company's contribution or expenditure towards construction, development of assets not owned by the Company is capitalised under the general head Capital Expenditure' and written off to revenue in five years .

There is no impairment loss in Intangible assets during the year.

Schedule-6

Capital work-in-progress (at cost)

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Construction work-in-progress-Civil	85.57	44.74
Construction Stores (including in transit)	4.12	4.61
Plant & Machinery and other equipments		
-Under Erection/Fabrication/awaiting erection	151.69	85.26
-In transit	60.08	45.70
Intangible Assets under development	1.08	4.26
	302.54	184.57

Schedule-7

Investments

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
LONG TERM		
Shares :		
UNQUOTED (Fully Paid up)		
TRADE :		
360 (previous year 360) Equity shares of Rs. 38.95 each of Engineering Projects (India) Ltd.	*	*
728960 (previous year 728960) Equity share of Rs. 10/- each of AP Gas Power Corporation Ltd.	0.91	0.91
– 5000000 (Previous year 5000000) Equity shares of Rs. 10/- each of Neelachal Ispat Nigam Ltd. (Refer Note No.9 of Schedule-19)	5.00	5.00
	5.91	5.91
Shares in Joint Ventures Companies		
– 1999999 (previous year 1999999) Equity Shares of Rs. 10/- each of Powerplant Performance Improvement Ltd.	2.00	2.00
Less : Provision for dimunition in value	2.00	2.00
	0.00	0.00
– 2379999 (previous year 2379999) Equity Shares of Rs. 10/- each of BHEL-GE Gas Turbine Services Pvt. Ltd	2.38	2.38
	2.38	2.38
OTHER THAN TRADE :		
3 (Previous year 3) shares of Rs. 100/- each of BHEL House Building Cooperative Society Ltd., Hyderabad	*	*
	8.29	8.29
* Value less than Rs. 1 lakh/-		
Aggregate value of Unquoted Investments	8.29	8.29

Schedule-8 Current Assets

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Inventories @		
(As certified by the management)		
Stores & Spare parts		
- Production	108.64	91.00
- Fuel stores	13.61	13.34
- Miscellaneous	10.00	8.42
	132.25	112.76
Raw Material & Components	1296.93	1129.58
Material-in-transit	370.43	300.67
Materials with Fabricators/Contractors	134.26	105.28
Loose Tools	12.66	10.47
Scrap (at estimated realisable value)	29.88	20.19
Finished Goods	302.56	329.58
Inter division transfers in transit	98.99	50.04
Includes:		
- Rs.1.40 Crores (previous year Rs.1.40 Crores) towards non -BHEL spares held on behalf of various SEBs/NTPC (pool members) monitored by CEA		
- Rs. 3.67 Crores (previous year Rs. 0.56 Crores)		
Finished Goods in transit.	401.55	379.62
Work-in-progress (including items with sub-contractors)	1875.63	1720.85
	4253.59	3779.42
Less : Provision for non-moving stock	35.92	35.05
	4217.67	3744.37
@ Valued as per Significant Accounting Policy No. 8		
Sundry Debtors*		
-Debts outstanding for a period exceeding six months	4531.03	3223.44
-Other debts	6146.32	4885.98
	10677.35	8109.42
Less : Provision for Doubtful debts	981.53	941.35
	9695.82	7168.07
*Includes deferred debts Rs.3594.99 crores (Previous year Rs.2376.20 crores)		
Particulars of Sundry debtors :		
Debts considered good for which the Company holds no security other than the debtors' personal security	9695.82	7168.07
Debts considered doubtful and provided for	981.53	941.35
	10677.35	8109.42

Schedule-8 (Contd.) Current Assets

(Rs. in Crores)

			AS AT 31.3.2007	AS AT 31.3.2006
Cash and Bank Balances				
Cash & stamps in hand			1.24	0.72
Cheques, Demand Drafts in hand			286.86	81.00
Remittances in transit			37.78	100.88
Balances with Scheduled Banks				
Current Account			1738.53	1247.36
Deposit Account			3740.00	2650.01
Balance with non-scheduled Banks				
	Maximum Balance (Rs. in crores) during the year			
	2006-07	2005-06		
Current Accounts				
- Standard Chartered Bank, Libya	0.35	0.53	0.17	0.15
- Bank Muskat, Oman	70.28	86.42	0.47	47.87
- Barclays Bank Ltd., Zambia	0.01	0.01	0.01	0.01
- Bhumi Putra Commerce (Bank of Commerce) Malaysia	0.33	0.96	0.33	0.31
- Indo Jambia Bank. Lusaka	2.90	2.75	1.00	2.75
- Commercial Bank of Ethiopia	2.63	0.62	1.44	0.51
- Bank of Bhutan, Bhutan	0.11	0.08	0.01	0.01
- Jamahouria Bank, Libya	3.79	5.23	0.65	2.29
- National Bank of Egypt	0.44	0.11	0.42	0.10
			5808.91	4133.97
Other Current Assets				
Interest Accrued on Bank Deposits and investments			199.70	84.50
			199.70	84.50
Summary of Current Assets				
Inventories			4217.67	3744.37
Sundry Debtors			9695.82	7168.07
Cash & Bank Balances			5808.91	4133.97
Other Current Assets			199.70	84.50
			19922.10	15130.91

Schedule-9

Loans and Advances

(Rs. in Crores)

	AS AT 31.3.2007		AS AT 31.3.2006	
Loans				
To Employees	0.74		1.58	
Loans to others	0.17		0.22	
Interest accrued and or due on loans	10.66	11.57	13.35	15.15
Advances				
(Recoverable in cash or in kind or for value to be received)				
To employees	20.53		27.13	
For purchases	99.33		107.91	
To others	551.82		539.10	
For capital expenditure	3.60	675.28	6.26	680.40
Deposits				
Balance with customs, Port Trust and other Govt. Authorities [includes Rs.0.03 crores (Previous Year Rs. 0.04 crores) by pledge of Post Office pass book with Central Excise Authorities]	176.07		160.38	
Others	304.83	480.90	370.96	531.34
		1167.75		1226.89
Less: Provision for doubtful loans & advances		26.88		27.02
		1140.87		1199.87
Particulars of Loans & Advances :				
Loans & Advances considered good in respect of which the Company is fully secured		2.51		3.21
Loans & Advances considered good for which the Company holds no security other than the Debtors' personal security		1138.36		1196.66
Loans & Advances considered doubtful & provided for		26.88		27.02
		1167.75		1226.89
	Maximum Balance (Rs. in crores) during the year			
	2006-07	2005-06		
Due from Directors of the Company	0.00*	0.00*	0.00	0.00*
Due from Officers of the Company	0.25	0.25	0.14	0.16

*Amount less than Rs. 1 lakh

Schedule-10 Current Liabilities

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Acceptances	55.42	48.14
Sundry Creditors		
- Total outstanding dues of SSI undertakings (incl. interest)	86.68	175.91
- Other Sundry Creditors	3452.27	2628.18
	3538.95	2804.09
Advances received from customers	7775.54	5479.16
Deposits from Contractors	170.51	140.59
Investor Education & Protection Fund shall be credited by the following amount:		
- Unclaimed dividend *	0.73	1.19
Other liabilities	356.23	317.68
Interest accrued but not due	0.49	16.89
	11897.87	8807.74

*There is no amount due & outstanding as at Balance Sheet date to be transferred to Investor Education & Protection Fund.

Schedule-11 Provisions

(Rs. in Crores)

	AS AT 31.3.2007	AS AT 31.3.2006
Provision for Taxation (Net of Income Tax payments Rs. 3186.01 crores) (Previous year Rs. 2137.05 crores)	98.02	147.72
Dividend	293.71	48.95
Corporate Dividend Tax	49.92	6.87
Contractual Obligation	537.35	506.50
Retirement benefits	1310.78	589.03
Others	232.46	213.21
	2522.24	1512.28

Schedule-12 Turnover (Gross)

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Sales less returns (incl. despatches made to customers Rs.8519.25 crores) Previous year Rs. 6524.16 crores)	16598.99	12490.06
Income from external erection & other services	1966.13	1616.89
Revenue from Works Contract	173.83	418.54
	18738.95	14525.49

Schedule-12A

a. Other Operational Income

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Export Incentives	99.57	61.80
Rental income on leased assets	99.83	86.00
Less: Lease equalisation account	42.24	21.67
Scrap	127.42	75.21
Receipt from sale/transfer of surplus stock	0.18	0.37
Others	92.04	75.19
	376.80	276.90

b. Other Income

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Profit from sale of fixed assets (net)	1.15	3.30
Dividend on Investment (Long term-Trade)	17.49	10.12
Others (including grants of Rs. 0.35 crores previous year Rs. 1.77 crores) from Government of India for Research & Development Projects)	109.95	96.35
	128.59	109.77

c. Interest Income**

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
From customers	0.00*	0.08
From employees	0.18	0.26
From banks	311.97	154.20
Others	6.02	5.71
* Value less than Rs. 1 lakh		
**Tax deducted at source Rs.70.27 crores (previous year Rs. 35.71 crores)	318.17	160.25

TOTAL OTHER INCOME (a + b + c)	823.56	546.92
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Schedule-13

Accretion/(Decretion) to Work-in-progress & Finished goods

(Rs. in Crores)

	For the year ended 31.3.2007		For the year ended 31.3.2006	
Work -in -progress				
Closing Balance	1875.63		1720.86	
Opening Balance	1720.86	154.77	1405.67	315.19
Finished Goods				
Closing Balance	302.56		329.58	
Opening Balance	329.58	-27.02	262.16	67.42
Inter-division transfer in transit		53.44		3.40
		181.19		386.01
Element of Excise duty in Finished Goods				
Closing Balance		34.17		35.67
Opening Balance		35.67		41.98

Schedule-14

Consumption of Material, Erection & Engineering Expenses

(Rs. in Crores)

	For the year ended 31.3.2007		For the year ended 31.3.2006	
Consumption of Raw material & components	8211.95		6865.55	
Consumption of stores & spares	349.46		233.85	
Erection and Engineering expenses				
- payment to subcontractors	1620.45		1047.12	
	10181.86		8146.52	

Schedule-15

Employees Remuneration & Benefits

(Rs. in Crores)

	For the year ended 31.3.2007		For the year ended 31.3.2006	
Salaries, Wages, Bonus, Allowances & other benefits	1576.11		1418.65	
Contribution to gratuity fund	97.00		93.66	
Contribution to Provident and other funds	127.27		123.74	
Group Insurance	2.02		1.95	
Staff Welfare Expenses	566.55		240.51	
	2368.95		1878.51	
Directors (including Chairman & Managing Director)				
- Salaries & Allowances	0.46		0.42	
- CPF	0.05		0.04	
- Contribution to gratuity Fund	0.03		0.03	
- Others	0.27		0.19	

Notes : The Chairman & Managing Director and Functional Directors have been allowed the use of staff car for both duty and non-duty journeys. The ceiling of the non-duty journey is 1000 Kms per month against recovery of prescribed amount in accordance with their terms & conditions of appointment. The monetary value of the above perquisite for the use of car if calculated in accordance with the erstwhile provisions of Income Tax Rules, 1962 would amount to Rs. 0.01 Crores (Previous year Rs.0.01 Crores)

Schedule-16

Other Expenses of Manufacture, Administration, Selling & Distribution

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Resident Consultant's Charges	0.59	0.75
Royalty, technical documentation & other consultancy charges	96.37	21.11
Rent (includes Rs.21.78 crores for rent-residential Previous year Rs. 22.45 crores)	28.54	31.19
Excise Duty	194.02	146.55
Power & Fuel	259.08	229.02
Rates & Taxes	25.51	21.67
Service Tax	4.02	4.47
Exchange Variation (Net)	19.66	-9.70
Insurance	54.40	47.34
Repairs:		
Buildings	33.36	23.47
Plant & Machinery	16.77	22.83
Others	58.89	57.58
Other expenses in connection with exports	34.76	25.38
Bad debts and amount written off	21.94	3.61
Carriage outward	175.34	155.20
Travelling & conveyance	142.39	128.54
Miscellaneous Expenses	283.08	252.27
Cash discount	0.02	0.40
Liquidated damages charged off	46.78	4.65
Donations	0.22	3.09
Village development & social expenses	0.37	0.63
	1496.11	1170.05
Notes:		
Repairs do not include expenditure on departmental maintenance which are as under:		
Plant & Machinery	95.26	92.32
Buildings	27.28	21.07
Others	14.19	14.81
	136.73	128.20
Agency Commission on exports included in expenses in connection with exports	12.06	14.85
Expenditure on Research & Development	127.28	115.90
Payment to Auditors (Net of service tax credit claimed)		
– Fees (includes Rs. 0.03 crores (previous year Rs. 0.03 crores) to auditors abroad)	0.26	0.26
– Expenses	0.08	0.07
– Income tax matters (incl Rs.0.01 crores (Previous year Rs. 0.03 crores) to auditors abroad)	0.05	0.05

Schedule-16 (Contd.)

Other Expenses of Manufacture, Administration, Selling & Distribution

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
– Certification work (includes Rs. 0.02 crores (Previous year Rs. Nil crores) to auditors abroad)	0.16	0.14
– Other Professional services includes Rs. 0.02 crores (Previous year Rs. Nil Crores) to auditors abroad	0.02	0.00*
Payment to Cost Auditors	0.01	0.01
** Expenditure on entertainment	5.73	4.96
** Expenditure on foreign travel (for 711 tours (previous year 599 tours))	10.13	7.43
Expenditure on Publicity and Public relations		
Salaries allowances & other benefits	4.58	4.20
other expenses	12.18	7.09
	16.76	11.29
Director's Fees	0.07	0.01

* Amount less than Rs. 1 lakh ** As certified by the management

Schedule-17

Provisions

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Doubtful debts, Liquidated Damages and Loans & advances		
– Created during the year	272.88	286.78
– Less written back during the year	186.41	88.65
	86.47	198.13
Contractual Obligations		
– Created during the year	236.75	194.96
– Less written back during the year	205.66	163.98
	31.09	30.98
Others		
– Created during the year*	143.57	100.93
– Less written back during the year	89.27	47.29
	54.30	53.64
	171.86	282.75

*Includes Rs.Nil Crores (Previous year Rs. 0.66 lakhs) towards diminution in the value of long term trade investment.

Schedule-18

Interest and Other Borrowing Costs

(Rs. in Crores)

	For the year ended 31.3.2007	For the year ended 31.3.2006
Interest on:		
Bonds	27.64	44.25
Banks/Financial Institutions borrowings	2.05	1.56
Others	13.63	12.93
Other Borrowing Costs	0.01	0.01
	43.33	58.75

Schedule-18A

Prior Period Items

(Rs. in Crores)

	For the year ended 31.3.2007		For the year ended 31.3.2006	
INCOME				
Sales less returns	0.78		2.19	
Income from external erection & other services	0.00		0.56	
Operational income (others)	0.03		0.00	
Other Income (others)	-0.06		2.32	
Interest Income (others)	0.20	0.95	0.00	5.07
EXPENDITURE				
Consumption of Raw material & components	0.14		0.86	
Provision for contractual obligation	0.00		0.10	
Depreciation	0.19		-0.01	
Payment to Sub-contractors	0.17		0.23	
Rates & Taxes	0.00		0.16	
Misc. Expenses	-0.06	0.44	0.21	1.55
Prior period items (Net)		0.51		3.52

Schedule-18B

Provision for Taxation

(Rs. in Crores)

	For the year ended 31.3.2007		For the year ended 31.3.2006	
Current Tax				
- Current Year (incl. wealth tax Rs. 0.06 Crores (Previous year Rs. 0.05 Crores))	1421.00		1019.05	
- Earlier Years (incl wealth tax Rs. (-)0.01 Crores (Previous years Rs. 0.01 Crores))	14.30	1435.30	3.58	1022.63
Deferred Tax		-162.93		-155.44
Fringe Benefit Tax		49.00		18.00
		1321.37		885.19

Schedule – 19

NOTES TO ACCOUNTS

1. Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for is Rs. 371.92 crores (previous year Rs. 291.29 crores) including Rs. 19.38 crores (previous year Rs. 20.34 crores) for acquisition of intangible assets.
2. **Land and buildings include:**
 - a) 13016.723 acres of land (previous year 13882.180 acres), 52 flats (previous year 52 flats) and one building (previous year one building) for which formal transfer/lease deeds have not been executed including for 51.520 acres of land (previous year 51.520 acres) for which the cost paid is provisional; registration charges and stamp duty net of provision already made thereon, would be accounted for on payment.
 - b) 79.076 acres of land (previous year 79.936 acres) leased to Ministry of Defence, Government Departments and others.
 - c) 180 acres of land (previous year 180 acres) being used by the Ministry of Defence and for which further approval of the competent authority for continuance of licensing of the land is awaited.
 - d) 106.858 acres (previous year 106.858 acres) of land is under adverse possession.

3. **The impact on the profit of providing 100 percent depreciation on fixed assets upto Rs.10000/- each, without considering such impact of earlier years, is as under:**

(Rs. in Crores)

	2006-2007	2005-2006
100% depreciation on assets upto Rs.10,000/- charged off in the accounting year	6.70	5.66
Normal depreciation on above	2.00	1.82
Excess amount charged off	4.70	3.84

4. **Sales and despatches to customers :**

- (a) Includes Rs. 438.21 crores (previous year Rs. 207.04 crores) based on provisional prices.
- (b) Includes Rs. 630.77 crores (previous year Rs. 664.26 crores) for escalation claims raised in accordance with the sales contracts, inclusive of escalation claims on accrual basis to the extent latest indices were available;
- (c) Includes despatches of equipment valued at Rs. 27.04 crores (previous year Rs. 69.64 crores) held on behalf of customers at their request for which payment has been received by the Company; and
- (d) Excludes Rs. 8.51 crores (previous year Rs.32.38 crores) for price reduction due to delay in delivery as per terms of the contract.

5. **Contingent Liabilities :**

- (a) Claims against the company not acknowledged as debt :
 - (i) Income Tax pending appeals (net of provisions) Rs. 48.72 crores (previous year Rs. 356.35 crores) against which Rs 0.01 crores (previous year Rs 327.79 crores) has been paid under protest and included under the head deposits- others.
 - (ii) Sales Tax demands Rs. 328.60 crores (previous year Rs. 330.66 crores) against which Rs. 88.90 crores (previous year Rs. 93.49 crores) has been paid under protest/court orders and included under the head advances recoverable.
 - (iii) Excise Duty demands Rs.149.18 crores (previous year Rs. 63.37 crores), against which Rs.6.52 crores (previous year Rs. 12.95 crores) has been paid under protest/court orders and included under the head advances recoverable.
 - (iv) Custom Duty demands Rs. 0.76 crores (previous year Rs. 1.11 crores).

- (iv) Court / Arbitration cases Rs. 82.47 crores (previous year Rs. 61.85 crores)
- (v) Liquidated Damages Rs.257.22 crores (previous year Rs. 106.65 crores).
- (vi) Counter claim by contractors Rs. 40.40 crores (previous year Rs. 41.33 crores).
- (vii) Others Rs. 47.65 crores (previous year Rs. 41.62 crores).

In view of the various court cases / litigations and claims disputed by the company financial impact as to outflow of resources is not ascertainable at this stage.

- (b) Bills discounted under IDBI scheme outstanding at the close of the year amount to Rs. 1.78 crores (previous year Rs. 6.26 crores).
 - (c) Bank Guarantees outstanding at the close of the year amount to Rs. 0.40 crores (previous year Rs. 212.32 crores)
 - (d) Corporate Guarantees issued on behalf of joint ventures outstanding at the close of the year amounting to Rs. Nil (previous year Rs.10.35 crores)
6. Cash credit limit (including bills discounting limit in respect of IDBI Scheme) from banks aggregating to Rs. 100 crores (previous year Rs. 140 crores) and Company's counter guarantee / indemnity obligations in regard to bank guarantee / letters of credit limit aggregating to Rs. 14000 crores (previous year Rs. 12000 crores) sanctioned by the consortium banks are secured by first charge by way of hypothecation of raw materials, components, work in progress, finished goods, stores, book debts and other current assets both present and future.
7. The Income Tax Department had filed an appeal in Hon'ble Delhi High Court against the order of Income Tax Appellate Tribunal allowing the company's claim of normal and extra ordinary exchange variation loss of Rs.377.45 crores (previous year Rs.377.45 crores) on accrual basis relating to the assessment year 1992-93. The demand of Rs.249.75 crores (previous year Rs.249.75 crores) raised by the Income Tax Department

in respect of the said income tax liability had been adjusted by the Deptt against the refunds due to the company and the same is shown as "other deposits" in Schedule-9 – Loans and Advances in the balance sheet. During the year the said appeal has been dismissed by the Hon'ble Delhi High Court in company's favour. The refund due to the company will be recognized in the accounts and necessary adjustments will be made in the year in which the appeal effect of appellate order is given by the Deptt and refund is determined.

Further the above claim disallowed in the A.Y. 1992-93 was allowed in the subsequent years by the Deptt on payment basis for which provision of Rs.140.39 crores for possible tax liability was created in the earlier year. Any adjustment on this account will also be carried in the year in which the effect, as explained in above para is given by the department."

- 8. Amorphous Silicon Solar Cell Plant (ASSCP), Gurgaon was taken from Ministry of Non-conventional Energy Sources on lease for a period of 30 years. The lease agreement with the Government is yet to be finalised.
- 9. The company invested a sum of Rs. 5 Crores (Previous Year Rs. 5 Crores) towards equity shares of Rs. 10/- each (at par) in erstwhile Konark Met Coke Ltd. (KMCL) Bhubneshwar, to secure orders for equipment being supplied by the company to erstwhile KMCL and Neelachal Ispat Nigam Ltd (NINL). Pursuant to Order passed by Hon'ble Orissa High Court, KMCL was amalgamated with NINL u/s 391 read with section 394 of the Companies Act, 1956 & in terms of the scheme of amalgamation sanctioned by the Hon'ble High Court, Orissa, NINL allotted equity shares aggregating to Rs. 5 Crores (Previous year Rs. 5 Crores) to the company. The equity participation in NINL is restricted to 7.5% of the value of the orders received with a maximum of Rs. 17.32 Crores (Previous year Rs. 17.32 Crores). Government approval for investment in equity shares is under process.
- 10. Balances with Scheduled Banks under the head "Cash and Bank Balances" as on 31.03.07 in Schedule 8 includes amounts received in various bank accounts maintained by the Company in its Units/Regions/Sites

and are under transfer to the Centralised Cash Credit account maintained with banks in Delhi.

11. Other liabilities include a sum of Rs.100.51 crores (previous year Rs. 100.51 crores) towards guarantee fee demanded by the Government of India in respect of foreign currency loans taken by the company at the instance of the Government upto 1990-91. The matter for its waiver has been taken up with the Government since there was no stipulation for payment of such guarantee fee at the time the loans (guaranteed by Government) were taken.
12. Responses to confirmation of outstanding balances and stocks held by sub-contractors /fabricators were received only in a few cases, some of them seeking details.
13. The name of Small Scale Industrial Undertakings to whom the company owes a sum outstanding for more than 30 days has been determined from database maintained at units/divisions of the company and updated to the extent responses received from such undertakings as to their SSI status and are as follows:

Adarsh Electro Plating Works, Aliasons Industries, Arya Transformers Pvt Ltd, B.R.Associates Pvt. Ltd., Bundel Khand Industries, Copper Strips Private Limited, Cyanides & Chemical Company, Dynamic Process, Chennai, Elephenta Engineering Works, Emjay Industries, Flxican Bellos & Hoses Pvt. Ltd., G.T.I. Electroplating and Gultech Fabricators, Heating Engineers, Indian Metals & Alloy Mfg. Co., Ishaan Industrial Corporation, Jayashree Electron Pvt. Ltd., King Fab,Viralimalai, Madhya Pradesh Cupro Metals Pvt. Ltd, Mahesh Welding Works, Muthukumar Engg Works,Salem, National Carbon Brush Products, NKM Cables & Strips Pvt. Ltd., Oriental Engg Works Pvt. Ltd., Pooja Cables (P) Limited, R.Industries, Rajshi Engineers, Rajalakshmi Engg Industries, Rajni Fab, Rakesh Engineering Industries, Rakesh Engineering Works, S. Dayal & Sons, Saras Precision Tool (P) Ltd., Shree Cables & Conductors (Pvt) Ltd., St. Fathima Engg. Works, Sugo Industries, Super Galvanizing Industries, Surendra Engineering Works, Union Prestress Pvt. Ltd., Vanguard Industries, Vankos & Company, Wood & Insulation Products, Yesha Electriclas Pvt. Ltd. and Yogya Enterprises.

14. The disclosure relating to Micro and Small Enterprises as on 31.03.2007

Rs. in Crores

S. No.	As on 31.03.2007
1. The principal amount remaining unpaid to supplier as at the end of accounting year.	5.63
2. The interest due thereon remaining unpaid to supplier as at the end of accounting year.	0.68
3. The amount of interest paid, along with the amounts of the payment made to the supplier beyond the appointed day during the year 2006-07.	5.81
4. The amount of interest paid in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day during the year 2006-07.	—
5. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	—
6. The amount of interest accrued during the year and remaining unpaid at the end of the accounting year.	0.35
7. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	—

15. (a) The disclosures relating to Construction Contracts entered on or after 01.04.2003 as per the requirement of Accounting Standard AS-7(Revised) are as follows:

	Rs. In Crores	
	2006-07	2005-06
Contract revenue recognized during the year	14320.19	8921.31
In respect of Contract in progress as on 31.03.2007:		
– Cost incurred and recognised profits (less recognized losses)	26391.12	11979.26
– Amount of advance received	3746.36	2446.68
– Amount of retentions (deferred debts)	2707.18	1165.35
In respect of dues from customers after appropriate netting off		
– Gross amount due from customers for the contract work as an asset	1575.12	819.53
– Gross amount due to customers for the contract work as a liability	1120.23	614.69
– Contingencies	—	—

(b) The estimates of total costs and total revenue in respect of construction contracts entered on or after 1st April 2003 in accordance with Accounting Standard (AS) -7 (R) Construction Contracts are reviewed and up dated periodically during the year by the management and necessary adjustments are made in the current year's account.

16. The amount of exchange differences adjusted in the carrying amount of fixed assets acquired from outside India during the year is Rs. 0.14 crores (Previous year Rs. 0.13 crores).

17. The disclosure relating to derivative instruments:

a) The derivative instruments that are hedged and outstanding as on 31.03.2007 in Euro is 0.44 crores (Indian Rs. 25.14 crores) [previous year Euro Nil (Indian Rs. Nil)]. Any gain or loss arising there from is recognized in the year of settlement in accordance with the terms of respective contracts.

b) The foreign currency exposure that are not hedged by derivative instruments or otherwise are as under:

(Figures in Crores)

	2006-07		2005-06	
	In foreign currency	In Indian Rs.	In foreign currency	In Indian Rs.
a) Assets / Receivables (i.e. Debtors)				
In US \$	12.93	568.59	16.05	710.55
In Euro	4.33	247.99	2.32	125.09
In LYD	3.25	109.73	2.23	74.56
In RO	5.60	627.59	0.18	21.15
In Others		7.40		8.18
b) Liabilities (i.e. Advance from customers / creditors)				
In US \$	14.04	598.77	9.49	426.58
In Euro	1.59	93.38	2.30	124.88
In LYD	0.35	11.91	1.85	62.83
In Others		39.79		30.50

18. The disclosure relating to AS-15 (R) – Employee Benefits

- a) Effective April 1, 2006 the company adopted the revised Accounting Standard 15 (R) on Employee Benefits. Pursuant to the adoption, the transitional obligations of the company amounted to Rs. 191.32 crores (net of deferred tax) for leave encashment /availment (HPL encashment under old policy) and Rs.44.01 crores (net of tax) for LTC/LTA. As required by the Standard, the obligation has been recorded with the adjustment of Rs. 235.33 crores to General Reserve. Further the profit before tax for the year has been increased by
- i) Rs. 40.53 crores due to change in method of valuation of leave liability and
 - ii) Rs.28.10 crores due to change in method of accounting from cash to mercantile for LTC/LTA, in accordance with AS - 15(R).
- b) The company has revised its policy of encashment of Half Pay Leave. The maximum limit of encashment of HPL has been increased from 240 days to 480 days and the basis of working has been changed to 26 days from 30 days of wages. The effect on profit before tax due to this change is decrease of Rs. 70.18 crores.
- c) **Gratuity Plan**
- The gratuity liability arises on account of future payments, which are required to be made in the event of retirement, death in service or withdrawal. The liability has been assessed using projected unit credit actuarial method.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at the year ended 31.03.2007 are as follows:

1. Change in present value of obligation	Rs. In Crores
a) Present value of obligation as at the beginning	752.39
b) Acquisition adjustment	-
c) Interest Cost	56.43
d) Past service cost	-
e) Current service cost	32.15
f) Curtailment cost / (Credit)	-
g) Settlement cost / (Credit)	-
h) Benefits paid	(53.56)
i) Actuarial (gain) / Loss	68.96
j) Present value of obligation at the end of the period	856.36
2. Change in the fair value of plan assets	
a) Fair value of plan assets at the beginning	752.39
b) Acquisition Adjustments	-
c) Expected return on plan assets	69.22
d) Contributions	-
e) Benefits paid	(53.56)
f) Actuarial gain / (Loss) on plan assets	(8.69)
g) Fair value of plan assets as at the end of the year	759.36

3. Fair value of plan assets	
a) Fair value of plan assets at the beginning	752.39
b) Acquisition Adjustments	-
c) Actual return on plan assets	60.53
d) Contributions	-
e) Benefits paid	(53.56)
f) Fair value of plan assets at the year end	759.36
g) Funded status	(97.00)
h) Excess of actual over estimated return of plan assets	(8.69)
4. Actuarial gain / loss recognized	
a) Actuarial gain / (loss) for the period - obligation	(68.96)
b) Actuarial (Gain) / loss for the period – plan assets	8.69
c) Total (gain) / loss for the period	77.64
d) Actuarial (gain)/ loss recognized in the period	77.64
e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5. The amount recognized in balance sheet and statement of profit and loss	
a) Present value of obligation as at end of the period	856.36
b) Fair value of plan assets as at the end of period	759.36
c) Funded status	(97.00)
d) Excess of actual over estimated	(8.69)
e) Unrecognised actuarial (gains)/ losses	-
f) Net asset/(liability) recognized in balance sheet	(97.00)
6. Expense recognized in the statement of profit and loss a/c	
a) Current service cost	32.15
b) Past service cost	-
c) Interest cost	56.43
d) Expected return on plan assets	(69.22)
e) Curtailment cost / (credit)	-
f) Settlement cost / (credit)	-
g) Net actuarial (gain) / loss recognized in the period	77.64
h) Expenses recognized in the statement of profit & losses	97.00

Assumptions- Discounting rate – 7.50%, Future salary increase -5.00%., Expected rate of return on plan assets -9.20%.

d) **Post Retirement Medical Benefits plan**

1. Change in present value of obligation	Rs. In Crores
a) Present value of obligation as at the beginning	260.67
b) Acquisition adjustment	-
c) Interest Cost	10.06
d) Past service cost	-
e) Current service cost	19.55
f) Curtailment cost / (Credit)	-
g) Settlement cost / (Credit)	-
h) Benefits paid	(19.61)
i) Actuarial (gain) / Loss	299.84
j) Present value of obligation as at the end of year	570.51
2. Change in the fair value of plan assets	-
3. Fair value of plan assets	-
Funded Status	(570.51)
4. Actuarial gain / loss recognized	
a) Actuarial gain / (loss) for the period - obligation	(299.84)
b) Actuarial (Gain) / loss for the period – plan assets	-
c) Total (gain) / loss for the year	299.84
d) Actuarial (gain)/ loss recognized in the period	299.84
e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5. The amount recognized in balance sheet and statement of profit and loss	
a) Present value of obligation as at the end of the year	570.51
b) Fair value of plan assets as at the end of the year	-
c) Funded status	(570.51)
d) Net assets / (liability) recognized in balance sheet	(570.51)
6. Expenses recognized in the statement of profit and loss	
a) Current service cost	10.06
b) Interest cost	19.55
c) Net actuarial (gain) / loss recognized in the year	299.84
d) Expenses recognized in the statement of profit & loss	329.45

19. Related Party Transactions:

- i) Related Parties where control exists (Joint Ventures):
Powerplant Performance Improvement Ltd.
BHEL-GE Gas Turbine Services Pvt Ltd.
- ii) Other related parties (Key Management Personnel- Functional Directors: existing & retired):
S/Shri A.K. Puri, K. Ravi Kumar, S K Jain, A.K. Mathur, C.S. Verma, C.P. Singh and Ramji Rai.
- iii) Details of transactions:

(Rs. in Crores)

Particulars	Joint Ventures		Key Management Personnel (KMP)		Relatives of KMP	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Purchase of Goods and Services	2.66	0.33				
Sales of Goods and services	69.70	26.28				
Rendering of Services		0.07				
Receiving of Services		0.11				
Dividend income	17.49	10.11				
Royalty income	0.44	0.34				
Amounts due to BHEL at end of the year	22.31	6.84		0.00*		
Amounts due from BHEL at end of the year	0.26	0.20				
Provision for Doubtful debts	0.23	0.25				
Amount written back						
Guarantees given on behalf of		10.35				
Payment of Salaries			0.81	0.68		
Rent			0.01	0.01		

* Amount less than Rs. 1 lakh.

20. Lease:

a. Details of assets taken on finance lease on or after 1st April, 2001 are as under:

(Rs. in Crores)

	As on 31.3.2007	As on 31.3.2006
a. Outstanding balance of Minimum Lease payments		
– not later than one year	35.99	23.87
– later than one year and not later than five years	67.15	40.69
– later than five years	-	-
Total minimum lease payments at the balance sheet date	103.14	64.56
b. Present Value of (a) above		
– not later than one year	28.64	19.45
– later than one year and not later than five years	57.32	35.87
– later than five years	-	-
Total minimum lease payments at the balance sheet date	85.96	55.32
c. Finance charges	17.18	9.24
Present value of Residual value, if any	0.01	0.03

b. The company is in the practice of taking Office & Other Equipment, houses for employees, office buildings and EDP equipment on operating lease both as cancellable and non-cancellable.

c. The future minimum lease payments under non-cancellable operating lease are as under:

(Rs. in Crores)

	As on 31.3.2007	As on 31.3.2006
– not later than one year	13.43	12.21
– later than one year and not later than five years	10.96	7.42
– later than five years	0.81	0.26

d. Details regarding rentals in respect of assets taken on lease prior to 1.4.2001 is as given below:

(Rs. in Crores)

Assets	Cost of Assets		Rentals payable over unexpired period of lease	
	2006-2007	2005-2006	2006-2007	2005-2006
Computers & Peripherals	22.99	25.60	0.01	0.01
Land & Buildings	0.06	0.06	0.03	0.03
Office equipments	-	1.11	-	-
Others	-	0.04	-	-
TOTAL	23.05	26.81	0.04	0.04

21. Earnings per Share:

			2006-07	2005-06
Weighted average number of Equity Shares outstanding during the year	(A)	Nos. in Crores	24.476	24.476
Nominal Value of Equity Share		(Rs.)	10.00	10.00
Net Profit for the year	(B)	(Rs. in Crores)	2414.70	1679.16
Basic and Diluted Earnings Per Share	(B)/(A)	(Rs.)	98.66	68.60

22. The break up of net deferred tax asset on account of timing differences are as under:

(Rs. in Crores)

	As on 31.3.2007	As on 31.3.2006
Deferred Tax Assets		
Provisions	604.42	580.01
Deferred Revenue Expenditure of Voluntary Retirement Schemes	10.36	20.51
Statutory dues	220.01	119.91
Modvat Adjustments	42.25	31.75
Adjustment under transitional provision of AS-15 (R)	98.51	-
Others	19.06	18.93
	994.61	771.11
Deferred Tax Liabilities		
Depreciation	59.45	97.39
Net Deferred Tax Assets	935.16	673.72

23. Disclosures relating to Joint ventures are as follows:

- | a) Names of joint ventures | Country of
Incorporation | Proportion of
Ownership |
|---|-----------------------------|----------------------------|
| Powerplant Performance Improvement Ltd. | India} | One share less than |
| BHEL-GE Gas Turbine Services Pvt Ltd. | India} | 50% |
- b) The investment in PPIL has been written off as PPIL is under liquidation.
- c) (i) company's share of the contingent liabilities of the BGGTS is Rs. 6.57 Crores (previous year Rs. 5.83 crores)
(ii) company's share of the capital commitments of the BGGTS is Rs. 0.05 crores (previous year Rs. 0.15 crores)
(iii) Guarantees given on behalf of Joint Venture outstanding at the close of the year amounting to Rs. Nil (Previous year Rs. 10.35 crores)
(iv) Aggregate amount of company's interest in BGGTS as per accounts is as under:

(Rs. in Crores)

	2006-2007	2005-2006
Fixed Assets	4.81	5.30
Net Current Assets	14.04	8.96
Secured loans	0.32	0.15
Deferred Tax Liability	0.00	0.16
Deferred Tax Assets	0.07	0.00
Shareholders Funds	18.60	13.95
Income	149.25	136.23
Expenses	121.15	114.83

- (v) Information relating to 2006-07 is based on unaudited accounts.

24. The disclosure relating to Accounting Standard -29

A) (Rs. in Crores)

Particulars	Opening Balance	Additions	Usage / write off	Withdrawal/ Adjustments	Closing Balance
Liquidated Damages					
Current year 2006-07	490.75	158.18	46.78	15.70	586.45
(Prev. year 2005-06)	(349.64)	(172.18)	(4.65)	(26.42)	(490.75)
Contractual Obligation					
Current year 2006-07	506.50	236.75	61.48	144.42	537.35
(Prev. year 2005-06)	(475.16)	(194.96)	(34.54)	(129.08)	(506.50)

- a) As per the terms and conditions of the contract, with the customer, liquidated damages are provided in line with the Accounting Policy of the company and the same is dealt suitably in the accounts on settlement or otherwise. Contingent liability relating to liquidated damages is shown in Note No. 5 of Schedule-19.
- b) The provision for contractual obligation is made on a conservative basis at the rate of 2.5% of the contract value in line with significant Accounting Policy No.14 to meet the warranty obligations as per the terms and conditions of the contract. The same is retained till the completion of the warranty obligations of the contract. The actual warranty obligation may vary from contract to contract and on year to year depending upon the terms and conditions of the respective contract.
- B) Wage settlement with employees having expired on 31st December 2006, pending finalization of another agreement for revised wage /salary structure, provision of Rs. 82.00 crores has been made during the year based on estimates.

25. SEGMENT INFORMATION

Rs. in Crores

	For the year ended 31.3.2007			For the year ended 31.3.2006		
A. PRIMARY SEGMENT-BUSINESS SEGMENTS						
	Power	Industry	Total	Power	Industry	Total
I. SEGMENT REVENUE						
a. Segment Revenue	13857.54	5376.31	19233.85	10893.89	4067.96	14961.85
b. Inter-Segment Revenue	0.00	395.34	395.34	0.00	374.56	374.56
c. Operating Revenue-External (a) - (b)	13857.54	4980.97	18838.51	10893.89	3693.40	14587.29
II. SEGMENT RESULTS						
a. Segment Results	3581.31	877.15	4458.46	2369.29	646.29	3015.58
b. Unallocated expenses (Net of income)			679.06			392.48
c. Profit before Interest, DRE & Income tax (a)-(b)			3779.40			2623.10
d. Interest			43.33			58.75
e. Net Profit before Income Tax (c) - (d)			3736.07			2564.35
f. Income Tax			1321.37			885.19
g. Net Profit after Income Tax			2414.70			1679.16
III ASSETS & LIABILITIES						
a. Segment Assets	10813.09	5233.62	16046.71	9144.95	3721.05	12866.00
b. Unallocated Assets			7250.99			5313.64
c. Total Assets			23297.70			18179.64
d. Segment Liabilities	10646.06	2951.45	13597.51	7612.77	2331.12	9943.89
e. Unallocated Liabilities			911.93			934.37
f. Total Liabilities			14509.44			10878.26
IV OTHER INFORMATION						
a. Cost incurred during the period to acquire fixed assets (Incl. CWIP)	276.40	126.91		205.20	57.63	
b. Depreciation	145.20	56.41		123.95	61.28	
c. Non Cash Expenses (other than depreciation)	95.62	75.48		233.35	35.36	
B. SECONDARY SEGMENT-GEOGRAPHICAL SEGMENTS						
	Within India	Outside India	Total	Within India	Outside India	Total
1 Net Sales / Income from Operations	17767.48	1071.03	18838.51	13882.98	704.31	14587.29
2 Total Assets	22397.01	900.69	23297.70	17795.55	384.09	18179.64
3 Cost incurred during the period to acquire Fixed Assets	402.97	0.34	403.31	289.28	0.01	289.29

NOTES :

- The products and services of the company have been grouped under 'Power' and 'Industry' segments depending upon the sector to which they are predominantly identified in the market.
 - Power sector includes products and services relating to various power generating sets and its auxiliaries.
 - Industry sector includes products and services relating to transportation and transmission, electric machines, industrial sets and DG sets and telecommunications and other industrial products and systems.
 - Inter segment transfers have been carried out at mutually agreed prices.
26. Previous year's figures have been regrouped/reclassified wherever practicable to conform to current year's presentation.

27. Other information required by Schedule VI of the Companies Act, 1956

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Unit	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
		Qty.	Value	Qty.	Value	Qty.	Value
BHOPAL SWITCHGEAR, CONTROLGEAR, RECTIFIER, CAPACITORS							
Switchgear-11 kv to 220 kv high speed air blast circuit breakers	Nos.	3217 (3761)	107.02 (129.77)	466 (206)	10.32 (5.09)	799 (466)	8.57 (10.32)
Control Panels	Nos	324 (434)	57.49 (26.18)	0 (11)	0.00 (0.07)	0 (0)	0.00 (0.00)
Industrial controlgear	Nos	0 (0)	11.43 (11.37)	0 (0)	0.65 0.14	0 (0)	0.01 (0.65)
Traction controlgear for AC, DC & diesel system	Set	228 (276)	127.47 (87.93)	0 (0)	0.00 (0.79)	0 (0)	0.00 (0.00)
Rectifiers with Electronics	Nos	383 (625)	89.83 (106.29)	0 (72)	0.20 (0.76)	1 (0)	0.06 (0.20)
Capacitors	MVAR	2336 (2967)	19.71 (23.00)	0 (253)	0.31 (2.30)	0 (0)	0.62 (0.31)
Bushings		0	14.39	0	0.00	0	0.00
	(0)	(13.12)	(0)	(0.00)	(0)	(0.00)	(0.00)
TRANSFORMERS							
Power transformers (upto 400 kv)	MVA	12672	325.66	0	5.40	0	8.47
	Nos.	84	0.00	11	0.00	11	0.00
	MVA	(10672)	(250.85)	(0)	(0.07)	(0)	(5.40)
	Nos.	(106)	(0.00)	(0)	(0.00)	(11)	(0.00)
Instrument, welding, transformers and reactors	MVA		22.02	0	0.00	0	0.00
	Nos.	949		0	0.00	0	0.00
	MVA	(0)	(18.59)	(0)	(0.00)	(0)	(0.00)
	Nos.	(770)	(0.00)	(0)	(0.00)	(0)	(0.00)
INDUSTRIAL AND TRACTION MACHINES							
Traction Motors for AC,DC & diesel system, main/auxiliary generators	Nos	2404 (2476)	502.54 (329.52)	49 (29)	1.27 (1.34)	78 (49)	4.33 (1.27)
Industrial machines, AC motors upto 1000 HP, DC motors & generators of all types	Nos	857 (556)	174.34 (110.59)	47 (20)	6.24 (4.42)	22 (47)	3.07 (6.24)
HEAVY ROTATING PLANT & TURBINES							
Large electrical machines above 1000 HP	Nos	277 (152)	178.92 (123.58)	14 (4)	7.89 (1.64)	16 (14)	8.24 (7.89)
Water wheel alternators & water turbines & Mini micro turbines & generators	Nos/ MW	12/T 649	163.13		7.82		4.70
	Nos/ MW	9/G 497	125.57		11.60		1.51
	Nos/ MW	(7/T) (606)	(167.67)		(1.55)		(7.82)
	Nos/ MW	(10/G) (546)	(115.94)		(6.98)		(11.60)
Turbo Alternators & Steam turbines & Heat Exchangers	Nos Nos Others	26 (18)	190.00 (170.24)	0 (0)	4.82 (0.00)		0.00 (4.82)
			42.03 (48.56)		0.02 (0.00)		0.00 (0.02)
		TOTAL	2151.55		56.54		39.58

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Unit	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
		Qty.	Value	Qty.	Value	Qty.	Value
JHANSI							
Power transformers and special transformers	Nos	71	152.92	0	0.00	17	45.13
ESP Transformer	Nos	(71)	(113.38)	(4)	(4.39)	(0)	(0.00)
ACEMU Transformer	Nos	710	63.53	0	0.00	0	0.00
		(549)	(54.54)	(0)	(0.00)	(0)	(0.00)
Freight Loco transformers	Nos	0	0.00	0	0.00	0	0.00
		(0)	(0.00)	(4)	(0.67)	(0)	(0.00)
Instrument transformers	Nos	67	47.86	0	0.00	0	0.00
		(45)	(24.46)	(0)	(0.00)	(0)	(0.00)
Bus Duct	Nos/Set	796	21.86	13	0.29	105	1.39
		(882)	(18.06)	(45)	(0.92)	(13)	(0.29)
Dry Type Transformer	Nos.		77.66	0	0.00	0	2.28
			(63.95)	(0)	(2.04)	(0)	(0.00)
Diesel Shunters	Nos	139	24.20	2	0.07	2	0.08
		(110)	(19.16)	(0)	(0.00)	(2)	(.07)
New Product Loco	Nos	15	45.68	0	0.00	0	0.00
		(12)	(24.84)	(0)	(0.00)	(0)	(0.00)
Others/Misc.	Nos	0	0.68	0	0.00	0	0.00
		(0)	(14.98)	(0)	(0.00)	(0)	(0.00)
			19.66	0	0.00	0	0.00
			(13.32)	(0)	(0.04)	(0)	(0.00)
TOTAL			454.05		0.36		48.88
HEEP, HARDWAR							
Electrical Machines	MW/Nos	23/104	19.95	8/5	1.19	3/3	0.26
		(75/25)	(22.89)	(10/14)	(3.24)	(8/5)	(1.19)
Industrial controls panels	Nos.	-	0.00	3	0.19	3	0.19
		(-)	(0.00)	(3)	(0.19)	(3)	(0.19)
Turbo Sets	MW/Nos	15/4830	1576.75	0	9.71	-	16.38
		(1880/6)	(1063.92)	(0)	(11.86)	(-)	(9.71)
Hydro sets	MW/Nos	-	61.91	0	0.18	-	2.02
		(-)	(69.08)	(0)	0.05	(-)	(0.18)
Super Rapid Gun Mount	Nos.	2	42.48	0	0.00	-	0.00
		(2)	(41.23)	(0)	(0.00)	(-)	0.00
Gas Turbine	MW/Nos	-	0.00	0	0.00	-	0.00
		(-)	(0.00)	(0)	(2.21)	(-)	0.00
Others		-	278.14	0	6.43	-	5.69
		(-)	(234.30)	(0)	(4.27)	(-)	(6.43)
TOTAL			1979.23		17.70		24.54
CFFP, HARDWAR							
Steel Castings	MT	51.4	1.14	0	0.00	5.79	0.27
		(50.65)	(1.07)	(0)	(0.00)	(0)	(0.00)
Steel forgings	MT	0	0.00	0	0.00	2.63	0.07
		(40.89)	(1.07)	(0)	(0.00)	(0)	(0.00)
NF Casting	MT	0	0.00	0	0.00	0	0.00
		(0)	(0.00)	(0)	(0.00)	(0)	(0.00)
TOTAL			1.14		0.00		0.34
BOILER PLANT & SSTP TRICHY							
Boilers	MT	251990	4280.71	5264	75.45	5092	84.47
		(300252)	(3246.90)	(6293)	(50.36)	(5264)	(75.45)
Valves	Nos*	48165	208.50	@	7.14	@	6.57
		(32259)	(179.57)	(2531)	(2.48)	(3072)	(7.14)
Income from testing & other services	Rs.	0	9.26	0	0.00	0	0.00
		(0)	(8.06)	(0)	(0.00)	(0)	(0.00)
Seamless steel tubes	MT	133	1.59	**	**	**	**
		(20)	(0.26)				
TOTAL			4500.06		82.59		91.04

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Unit	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
		Qty.	Value	Qty.	Value	Qty.	Value
BAP, RANIPET							
Boiler auxiliaries	MT	80967 (9103)	565.56 (82.72)	3881 (2993)	26.02 (17.77)	6038 (3881)	44.02 (26.02)
Wind Mill	MT	0 (0)	1.09 (0.27)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Income from testing & other services		0 (0)	1.61 (1.52)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Income from external erection & other services		0 (0)	1.25 (3.53)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
		TOTAL	569.51	26.02		44.02	
HYDERABAD							
60 MW Sets	MW	1+P (P)	36.18 (98.91)	0 (1+P)	0.00 (13.92)	0 (0)	0.00 (0.00)
110/120 MW Sets	MW	P (2+P)	156.88 (97.60)	P (0)	1.50 (0.00)	0 (P)	0.00 (1.50)
Small & Medium Sets	MW	16+P (17+P)	339.29 (346.09)	P (0)	10.79 (0.00)	0 (P)	0.00 (10.79)
Pumps and heaters	Nos	1+P (153+P)	340.19 (409.75)	12+P (4)	9.06 (0.88)	1P (12+P)	1.70 (9.06)
Compressors	Nos	4+P (4+P)	59.28 (52.10)	7+P (2)	41.41 (7.92)	1 (7+P)	7.11 (41.41)
Oil Rigs		0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Gas Turbine	Nos	7+P (5+P)	461.50 (618.03)	1+P (1+P)	64.29 (79.30)	2 (1+P)	32.19 (64.29)
Aux. Prodn. Breakers	Nos	69 (76)	20.15 (18.07)	6 (18)	0.29 (1.25)	0 (6)	0.00 (0.29)
Bowl Mills		1+P (84+P)	367.97 (327.62)	P (0.00)	2.46 (0.00)	0 (P)	0.00 (2.46)
Heat Exchangers			0.00 (0.00)		0.00 (0.00)		 (0.00)
Erection Income			5.56 (5.65)		0.00 (0.00)		0.00 (0.00)
Castings			9.79 (10.05)		0.37 (2.65)		0.90 (0.37)
Others (serv.)			73.22 (35.75)		0.00 (0.00)		0.00 (0.00)
Breakers Spares			6.72 (7.17)		0.00 (0.00)		0.00 (0.00)
Spares Other than breakers			406.25 (368.41)		0.00 (0.87)		0.00 (0.00)
		TOTAL	2282.98	130.17		41.90	

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Unit	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
		Qty.	Value	Qty.	Value	Qty.	Value
ELECTRONICS DIVISION							
Energy meters							
a/ Single Phase	Nos	79500 (68500)	5.21 (4.52)	607 (1207)	0.04 (0.07)	0 (607)	0.00 (0.04)
b/ Poly Phase	Nos	0 (0)	0.00 (0.00)	197 (3471)	0.03 (0.31)	0 (197)	0.00 (0.03)
Capacitors-Electrolytic	Nos			7674 (7674)	0.00 (0.00)	7674 (7674)	0.00 (0.00)
Power devices	Nos	3868 (876)	1.74 (0.78)	490 (0)	0.30 (0.00)	36 (490)	0.01 (0.30)
Photovoltaics	KWs	1095 (1045)	24.42 (26.34)	10 (10)	0.18 (0.42)	4 (10)	0.20 (0.18)
Simulators(Defence Electronics)	Sets	0 (0)	1.28 (0.10)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Control Equipments	Cubicles	2569 (2036)	852.16 (665.13)	14 (31)	1.35 (5.18)	0 (14)	1.17 (1.35)
Others							
		TOTAL	884.81	1.90		1.38	
ELECTRO PORCELAINS DIVISION							
Insulators & bushings	MT	7437 (8014)	82.66 (71.85)	598 (1089)	4.07 (8.01)	637 (598)	5.37 (4.07)
Ceralin	MT	1428 (1770)	18.21 (18.79)	154 (55)	2.51 (0.40)	41 (154)	0.34 (2.51)
Income from testing & other services		0 (0)	0.57 (0.58)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
		TOTAL	101.44	6.58		5.71	
POWER GROUP							
Income from erection & Other services & spares			3796.96 (2875.60)		1.40 (8.48)		0.00 (1.40)
		TOTAL	3796.96	1.40		0.00	
IO PROJECTS							
Supply Exports			858.12 (561.49)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Service Exports			220.67 (140.85)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
		TOTAL	1078.79	0.00		0.00	
JAGDISHPUR							
Insulators	CMT	6458.83 (6463.13)	63.46 (58.54)	645.90 (604.90)	7.53 (5.56)	506.60 (645.90)	6.47 (7.53)
Ceralin	MT	1340.13 (1523.52)	16.67 (16.78)	116.58 (110.30)	1.00 (1.40)	158.95 (116.58)	1.83 (1.00)
		TOTAL	80.13	8.53		8.30	
IVP GOINDWAL							
Industrial Valves	Nos	0 (0)	0.00 (0.00)	134 (126)	0.32 (0.25)	72 (134)	0.18 (0.32)
		TOTAL	0.00	0.32		0.18	

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Unit	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
		Qty.	Value	Qty.	Value	Qty.	Value
INDUSTRIAL SYSTEMS GROUP							
Control panels	Nos	0 (55)	0.00 (10.66)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Motors & spares	Nos	0 (6)	0.00 (0.67)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Other Equipments		0 (0)	423.39 (268.92)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
		TOTAL	423.39		0.00		0.00
CENTRE OF TECHNOLOGY TRANSFER, HYDERABAD							
Income from testing & services			1.26 (1.36)		0.00 (0.00)		0.00 (0.00)
Software	Lot	0 (0)	0.00 (0.03)		0.00 (0.00)		0.00 (0.00)
ASRS for Modernisation of Cod Kanpur Lot		LOT (LOT)	39.23 (26.77)		0.00 (0.02)		0.00 (0.00)
Solar Gyesers	Nos.	18 (0)	0.08 (0.00)		0.00 (0.00)		0.00 (0.00)
Microwave Sintering System	Nos.	0 (0)	0.00 (0.00)		0.00 (0.00)		0.00 (0.00)
Others	Nos.	4 (1)	0.08 (0.00)		0.00 (0.00)		0.00 (0.00)
Cooling Systems	Nos.	15 (0)	1.48 (0.00)		0.00 (0.00)		0.00 (0.00)
		TOTAL	42.13		0.00		0.00
CFP RUDRAPUR							
SWHS	Nos	1770 (1754)	2.04 (1.86)	144 (27)	0.09 (0.01)	13 (144)	0.01 (0.09)
Solar Lantern	Nos.	4590 (6323)	4.56 (2.91)	5 (172)	0.00 (0.02)	4 (5)	0.00 (0.00)
		TOTAL	6.60		0.09		0.01
HERP/VARANASI							
Spares & Repairs for Boiler/ Turbine & Auxiliaries			70.26 (38.95)		0.26 (0.16)		0.34 (0.26)
		TOTAL	70.26		0.26		0.34
ADVANCE RESEARCH PROJECT							
Others (Services)			0.00 (0.00)		0.00 (0.00)		0.00 (0.00)
		TOTAL	0.00		0.00		0.00
TPG BHOPAL							
Spares(Including Services)			343.63 (296.95)		0.00 (0.00)		0.00 (0.00)
		TOTAL	343.63		0.00		0.00

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in crores)

Product	Sales during the Year 2006-07		Op. Stock of Fin. Goods 1.4.2006		Cl. Stock of Fin. Goods 31.3.2007	
	Qty.	Value	Qty.	Value	Qty.	Value
OSBG & EMRP						
Repair & Project work		8.41 (4.21)		0.00 (0.00)		0.00 (0.00)
	TOTAL	8.41		0.00		0.00
INTERNATIONAL OPERATIONS						
Income from Sales (Revenue Recognition Adjustment)		-10.37 (-4.04)		0.00 (0.00)		0.00 (0.00)
	TOTAL	-10.37		0.00		0.00
INDUSTRY SECTOR						
Income from Sales (Revenue Recognition Adjustment)		-25.76 (3.41)		0.00 (-0.34)		0.00 (0.00)
	TOTAL	-25.76		0.00		0.00
Adjustment for profit element on inventory				-2.88 (-0.22)		-3.66 (-2.88)
	GRAND TOTAL	18738.95		329.58		302.56

1. Figures in brackets represent previous year's figures

2. * Correct weight particulars in terms of tonnage could not be ascertained

3. @ This excludes closing stock meant for Boiler treated as WIP

4. Valves drawn for Boilers

Nos.	Rs. in Crores
4504	4.03
(4513)	(3.91)
51511	58.03
(15560)	(35.64)

5. ** This excludes opening stock of 55 MT of Rs. 0.33 Crores and closing stock of 28 MT of Rs. 0.16 Crores meant for Boiler Plant treated as WIP.

6. + This includes 46354 MTs of BAP, Ranipet, composite turnover for Fossil Boiler (Prev. year 95719 MTs)

7. 23933 MTs of SS tubes transferred to Boiler Plant for captive consumption

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

(Rs. in crores)

Sl. No.	Product	Unit	Installed 2006-07	Capacity 2005-06	Actual 2006-07	Production 2005-06
BHOPAL						
1	Turbo Sets					
	-Steam Turbine	Nos.	3	3	0	0
		MW	360	360	0	0
	-Marine Turbine	Nos.	2	2	0	0
		MW	24	24	0	0
	-Nuclear Turbine	Nos.	1	1	0	0
		MW	236	236	0	0
	- Industrial Turbine	Nos.	0	0	0	0
		MW	0	0	0	0
2	Hydro Sets					
	-Hydro Turbine	Nos.	12	12	12	7
		MW	720	720	649	606
	-Hydro Generator	Nos.	12	12	9	10
		MW	720	720	497	546
3	Large Electrical Machine	Nos.	100	100	280	164
4	Traction Machines (Incl.TG/AG,Blower Motors, BPRV etc.)	Nos.	2850	2850	2556	2608
5	Power Transformers	Nos.	65	65	84	117
		MVA	12000	12000	12672	10672
6	Instrument Transformer	Nos.	200	200	949	770
7	Electrical Machines	Nos.	550	550	856	605
8	Switchgear	Nos.	3000	3000	3721	4201
9	Capacitor	MVAR	3200	3200	2336	2714
10	Industrial Controlgear	Nos.	250	250	0	0
11	Traction Controlgear	Set	220	220	228	276
12	Control Equipment	Nos.	600	600	1006	1160
13	Heat Exchangers	Nos.	52	52	26	18
		MT	1100	1100	0	0
14	Control Panels	Nos.	600	600	601	576
15	Cathodic Protection System	Tonne	2700	2700	0	0
JHANSI						
1	Power Transformers 33kv/ 132kv	Nos./MVA	105/5500	65/4000	96/6111	85/4175
2	Other Transformer					
	-Special Purpose Transformer (Dry Type Trfr. etc.)	Nos.	140	180	161	131
	-Traction Transformer. (Frt. Loco & ACEMU)	Nos.	140	140	138	131
	-Instrument Transformer	Nos.	1000	1960	937	1005
	-ESP Transformer	Nos.	500	*	710	549
3	Bus Duct	Set	@	@		
4	Diesel Shunters	Nos.	10	10	15	12
5	AC Locomotives (Upto 6500 HP)	Nos.	30	30	0	0

Installed capacity is as reassessed and certified by the management

* Installed capacity of ESP Trfr has been generated out of Instrument Trfrs

@ Bus duct manufacturing is being done within the existing capacity of Transformers.

Actual production for 2006-2007 includes job done for internal use for the following Products :

Dry Type Trfr. : 4 Nos.

Instrument Trfr : 4 Nos.

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

(Rs. in crores)

Sl. No.	Product	Unit	Installed 2006-07	Capacity 2005-06	Actual 2006-07	Production 2005-06
HEEP - HARDWAR						
1	Turbo Sets	MW	3500	3500	4830	1880
2	Hydro Sets	MW	625	625	-	-
3	Electrical Machines	MW	450	450	102	74
4	Gas Turbine @@	MW	0	0	-	300
5	Super Rapid Gun Mounts	NOS	3	3	2	2
<p>@@ Capacity installed for manufacture of gas turbines components like rotor equivalent to 600 MW Gas Turbines. Balance Components for Gas Turbines from existing thermal sets facilities.</p> <p>Note: Installed Capacity are as certified by management.</p> <p>Figures of actual production during the year are for respective products, but do not include capacity used for production of other products, spares & services and work-in-progress.</p>						
CFFP HARDWAR						
1	Steel Castings	MT	6000	6000	4035	3998
2	Steel Forging					
	(a) Steel Forgings (Heavy)	MT	2410	2410	717	740
	(b) Medium Forgings (Medium)	MT	3000	3000	2114	2087
3	Billets and Blooms	MT	4000	4000	601	785
4	N F Casting	MT	250	250	67	56
<p>Note: 1. Licensed capacity not shown as the same is not required in terms of new Industrial Policy</p> <p>2. Installed Capacity is as certified by the management</p>						
HYDERABAD						
1	Steam Turbines	MW	695	955	840	827
2	Generators	MW	1360	835	1348	1206
3	Gas Turbine	MW	480	0	499	525
4	Compressors	Nos	0	0	4	10
5	Pulverisers @@	Nos	63	63	95	85
6	Pumps @	Nos	126	126	172	170
7	Breakers ###	Nos	1035	1035	305	306
8	Heat Exchangers #	Nos	137	137	135	135
9	Oil Rigs ##	Nos	0	0	6	6

Note Above figures are inclusive of Refurbishment orders

@ BFP, BP, CEP and CWP

@@ Bowl Mills and Tube mills

HP & LP Heaters, Deaerators, Condensers, Gas Coolers, LO System and Spl HE

Mud Pumps, H & R Equipment and draw works

Capacity being reassessed & figures are 132 KV Breaker equivalents.

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

(Rs. in crores)

Sl. No.	Product	Unit	Installed 2006-07	Capacity 2005-06	Actual 2006-07	Production 2005-06
EDN - BANGALORE						
1	Energy Meters	Nos.	600000	600000	78696	68266
2	Control Equipments	CUBICLE	2500	1200	2688	2118
3	Power Devices	Nos.	12000	30000	15016	11779
4	Photovoltaics	KWS	2000	2000	2104	1800
5	Simulators (Defence Electronics)	SETS	0	0	0	0
TIRUCHY						
1	Boilers	MT	108000+*	108000+*	255156+*	208732+*
2	Valves	MT	2712*A	2712*A	6705	4414
		Nos			76081	61059
3	Nuclear Steam Generating Equipments	MW	382/500**	382/500**	XX	XXX
4	Seamless Steel Tubes	MT	40000	40000	25084	25136
5	Armoured Recovery Vehicles	Nos.	25	25	0	0
+ Including 5000 MT for manufacture of equipments for Process Industries. * Includes Sub-Contracting and Sub-Delivery. A Excludes 788 MT of IVP/Goindwal ** Corresponding to 6.5 Steam Generators and 6.5 Reactor Headers for 235 MW (or) 4 Steam Generators and 4 Reactor Headers for 500 MW. Corresponding to the licensed capacity of 50 Nos. XX The capacity was utilised for manufacturing components for Nuclear Projects and other Heat Exchangers, Pressure Vessels, 2 Nos. Return Coolers, Inner Vessel and Thermal Baffle were manufactured during 2006-07. Tube Steel drilling job was carried out during 2006-07. XXX The capacity was utilised for manufacturing components for nuclear Projects & other Heat Exchangers, Pressure Vessels. 1 Pressure vessel-P4, 5 Nos. Reheater Tube Bank 1 No. LPSC Heat Exchanger were manufactured during 2005-2006.						
BAP - RANIPET						
1	Boiler Auxiliaries	MT	118000	57000	129903	106792
2	Wind Mill *	MT NO				
* No Separate installed capacity added.						
IVP GOINDWAL						
1	Industrial Valves & Valves Spares	MT Nos.	788	788	947.42 6426	835 7887
EPD - BANGALORE						
1	Insulators & Bushings	CMT	6250	6250	6876	5695
2	Assembled Production	MT			9960	9781
3	Ceralin	CMT	745	745	1040	1000
4	Ceralin (Assembled)	MT			2272	2622
IP - JAGDISHPUR						
1	Insulators	CMT	6000	6000	6589.70	6658
2	Ceralin	MT	330	330	655.00	780
3	Ceralin(Assembled)	MT			1628.37	1690.28
CFP - RUDRAPUR						
1	S W H S	Nos.	4000	4000	1639	1871
2	Solar Lanterns	Nos.	10000	4000	4589	6156
3	Bus Duct	MT	100			

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

(Rs. in Crores)

	For the year ended 31.03.2007	For the year ended 31.03.2006
C. Value of imports		
CIF basis		
Raw materials	1419.88	1281.87
Components and spare parts	864.74	1005.21
Capital goods	159.55	70.10
D. Expenditure in foreign currency		
Royalty	19.06	18.93
Know-how	1.40	1.18
Professional & Consultation fees	65.14	0.64
Interest and others (incl. on foreign sites)	74.07	65.17
Dividend : @		
a) number of non-resident shareholders	1563	691
b) number of shares held	52808378	54941214
c) gross amount of dividend	10.56	24.72
d) year to which dividend relates	2005-06	2004-2005
Interim Dividend : @	(Final Dividend)	(Final Dividend)
a) number of non-resident shareholders	1904	784
b) number of shares held	51280332	54165105
c) gross amount of dividend	64.10	21.67
d) year to which dividend relates	2006-07	2005-2006
	(Interim Dividend)	(Interim Dividend)
Special Interim Dividend : @		
a) number of non-resident shareholders	-	1036
b) number of shares held	-	54802130
c) gross amount of dividend	-	46.58
d) year to which dividend relates	-	2005-2006
		(Special Interim)
<p>@ The company has not made any remittance of dividend in foreign currency. The payments have been made to the Bankers/Power of Attorney holders of non-resident shareholders and as such the exact amount of dividend remitted by them in foreign currency cannot be ascertained.</p>		
E. Value of consumption of raw materials, components, stores & spare parts.		
#Imported (including custom duty)	2649.71	2038.30
Indigenous	5911.71	5061.11
Percentage of total consumption		
Imported	31	29
Indigenous	69	71
F. Earnings in foreign exchange		
Export of goods (FOB basis) **	860.65	568.71
Interest	0.36	0.02
Erection & other services **	220.74	140.85
Miscellaneous	14.16	0.05
<p>** This does not include Rs. 2564.23 Crores (previous year Rs. 1219.77 Crores) on account of deemed exports. # Includes canalised items wherever ascertained.</p>		

27. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

G. Statement for raw materials and components consumed

(Rs. in Crores)

Group of materials	Units	For the year ended 31.03.2007		For the year ended 31.03.2006	
		Quantity	Value	Quantity	Value
Ferrous materials					
	MT	347876		400236	
	Meters	9393927		3045915	
	Nos	2263172		1781352	
	Sq.M	230		328	
	Kg.	51228947		48393513	
	Others	2633		44	
			2259.25		1888.94
Non-ferrous materials					
	MT	6579		3204	
	Meters	180301		128334	
	Nos	190647		170941	
	Sq.M.	9099		5	
	Kg.	4722159		4345905	
	RL	18787		16522	
	Others	186		0	
			334.58		212.88
Insulating materials					
	Meters	43838617		38448045	
	MT	19783		36548	
	Nos	623297		311013	
	Sq.M.	1972840		330933	
	Kg	1059204		1181550	
	LT	4551637		4856232	
	RL	195449		226274	
	M2	99638		81443	
	KL	647		110	
	ST	1158		56	
	Others	1448		155	
			165.13		138.36
Insulated cables and Magnet wires					
	Meters	1712856		977101	
	Nos	5		103	
	Kg	4232		6869	
	Others	1		0	
			23.80		13.75
Components			4830.04		4240.63
Others			599.15		370.99
TOTAL			8211.95		6865.55

Balance Sheet Abstract and Company's General Business Profile

i) Registration details :

Registration No.

0 0 4 2 8 1

State Code

5 5

Balance Sheet

3 1 0 3 0 7

Date Month Year

ii) Capital raised during the year (Amount in Rs. Crores)

Public Issue

Right Issue

NIL

NIL

Bouns Issue

Private Placement

NIL

NIL

iii) Position of mobilisation and deployment of funds (Amount in Rs. Crores)

Total Liabilities

2 3 2 9 7 . 7 0

Total Assets

2 3 2 9 7 . 7 0

Sources of Funds

Paid Up Capital

Reserves & Surplus

2 4 4 . 7 6

8 5 4 3 . 5 0

Secured Loans

Unsecured Loans

N I L

8 9 . 3 3

Application of Funds

Net Fixed Assests*

Investments

1 2 9 1 . 2 8

8 . 2 9

* It includes Capital WIP Rs. 302.54 Crores

Net Current Assests

Misc. Expenditure (Deferred Revenue Exp.)

6 6 4 2 . 8 6

N I L

Accumulated Losses

Deferred Tax Assests

Nil

9 3 5 . 1 6

iv) Performance of Company (Amount in Rs. Crores)

Turnover*

Total Expenditure

1 8 7 3 8 . 9 5

1 4 5 0 6 . 2 1

* Inclusive of Excise Duty & Service Tax Rs. 1501.42 Crores

Total earning including accretion/decretion in WIP & FG, other income and adjustment of excise duty, service tax on turnover for the year is Rs. 18242.28 Crores as against total expenditure.

Profit Before Tax

Profit After Tax

3 7 3 6 . 0 7

2 4 1 4 . 7 0

Earning Per Share in Rs.

Dividend rate

9 8 . 6 6

1) Interim dividend @125% of paid up capital of Rs. 244.76 Crores

2) Proposed Final dividend @60% of enhanced paid up share capital of Rs. 489.52 Crores, post bonus issue.

v) Generic names of three principal products/services of Company (as per monetary terms)

1. Item Code No. : 8 4 0 2 1 0
(ITC Code)

Product Description : Boiler other than parts

2. Item Code No.: 8 5 0 2 3 9 0 2
(ITC Code)

Product Description : Complete generating sets including hydro turbines

3. Item Code No.: 8 4 1 1 8 2 0 6
(ITC Code)

Product Description : Gas turbine of thrust exceeding 115000 KW

For and on behalf of Board of Directors

(N K Sinha)
Secretary

(C S Verma)
Director (Finance)

(Ashok K. Puri)
Chairman & Managing Director

Date : 25.05.2007

Place : New Delhi

Additional Information for Shareholders



Report  Junction.com

Ten Years Summary

(Rs. in Crores)

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
I EARNINGS										
Sale of products & services to customers	18738.95	14525.49	10336.40	8662.47	7482.22	7286.63	6347.76	6633.97	6794.69	6471.31
Other Income	823.56	546.92	655.70	512.77	508.72	494.00	505.42	470.38	543.29	378.48
Changes in stock	181.19	386.01	539.77	-30.63	-45.32	-37.29	250.71	-23.70	82.29	-13.30
Total Earnings	19743.70	15458.42	11531.87	9144.61	7945.62	7743.34	7103.89	7080.65	7420.27	6836.49
Materials	8561.41	7099.40	5097.68	3634.66	3160.37	3306.77	3049.61	2811.96	3049.49	2838.19
Personnel Payments	2368.95	1878.51	1650.38	1639.51	1504.64	1444.62	2170.21	1132.97	1241.60	952.50
Other mfg., admn. & selling expenses	4760.97	3611.48	2901.91	2597.61	2237.98	2062.94	1388.40	2095.10	2020.36	1840.29
Outgoings before interest & depr.	15691.33	12589.39	9649.97	7871.78	6902.99	6814.33	6608.22	6040.03	6311.45	5630.98
Profit before depreciation, interest & tax	4052.37	2869.03	1881.90	1272.83	1042.63	929.01	495.67	1040.62	1108.82	1205.51
Depreciation	272.97	245.93	218.87	198.00	185.4	169.20	157.78	153.50	143.22	124.18
Gross Profit	3779.40	2623.10	1663.03	1074.83	857.23	759.81	337.89	887.12	965.60	1081.33
Interest	43.33	58.75	81.41	60.08	54.80	96.98	43.76	21.66	33.25	59.68
Profit before tax	3736.07	2564.35	1581.62	1014.75	802.43	662.83	294.13	865.46	932.35	1021.65
Provision for tax	1321.37	885.19	628.23	356.60	357.90	194.89	-18.42	265.99	387.71	302.14
Profit after tax	2414.70	1679.16	953.39	658.15	444.53	467.94	312.55	599.47	544.64	719.51
Dividend (incl.dividend tax)	692.49	404.67	222.45	165.86	110.45	97.90	80.92	85.54	67.93	67.31
Retained Profit	1722.21	1274.49	730.94	492.29	334.08	370.04	231.63	513.93	476.71	652.20
II WHAT THE COMPANY OWNED										
Gross Block	4135.05	3822.06	3628.94	3459.60	3349.31	3182.00	3004.05	2810.82	2657.36	2423.63
Less accumulated depreciation & lease adj.	3146.31	2839.78	2584.70	2365.46	2178.81	2005.42	1861.44	1723.02	1594.83	1465.09
Net Block	988.74	982.28	1044.24	1094.14	1170.50	1176.58	1142.61	1087.80	1062.53	958.54
Capital WIP	302.54	184.57	95.32	108.56	58.70	56.67	61.18	72.44	73.29	63.49
Investments	8.29	8.29	8.95	28.98	10.33	10.34	10.34	10.34	15.10	24.01
Current Assets, Loans & Advances	21062.97	16330.78	13342.98	10424.70	8348.40	8051.39	7576.19	7018.96	6538.51	6028.18
Total assets	22362.54	17505.92	14491.49	11656.38	9587.93	9294.98	8790.32	8189.54	7689.43	7074.22
III WHAT THE COMPANY OWED										
Borrowings (incl. Credits for assets taken on lease)	89.33	558.24	536.98	540.03	531.09	665.80	1025.60	240.70	170.02	389.52
Current liabilities & provisions	14420.11	10320.02	8445.89	6336.85	4756.01	4713.50	4162.96	4591.10	4436.85	4089.74
Total liabilities	14509.44	10878.26	8982.87	6876.88	5287.10	5379.30	5188.56	4831.80	4606.87	4479.26

Contd.

Ten Years Summary (Contd.)

(Rs. in Crores)

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
IV NET WORTH OF THE COMPANY										
Share Capital	244.76	244.76	244.76	244.76	244.76	244.76	244.76	244.76	244.76	244.76
Reserves & Surplus	8543.50	7056.62	5782.10	5051.18	4558.91	4224.85	3585.60	3353.92	2840.01	2363.30
Less : Deferred Revenue Expenditure	0.00	0.00	0.00	17.92	95.50	249.28	228.59	240.93	2.31	13.03
Net Worth	8788.26	7301.38	6026.86	5278.02	4708.17	4220.33	3601.77	3357.75	3082.46	2595.03
V CAPITAL EMPLOYED	5570.98	5517.35	4557.42	3706.30	3652.24	4048.24	4233.14	3165.49	2642.20	2505.73
VI VALUE ADDED	7182.27	5682.80	4254.24	3680.01	3247.58	3074.48	2660.32	2831.97	2983.17	2886.61
VII RATIOS										
PBDIT to total assets (%) #	20.3%	17.9%	14.4%	12.0%	11.0%	10.3%	5.8%	13.1%	15.0%	17.0%
Gross profit to capital employed (%) #	68.2%	52.1%	40.2%	29.2%	22.3%	18.3%	9.1%	30.5%	37.4%	44.0%
Turnover/ gross block	4.53	3.80	2.85	2.50	2.23	2.29	2.11	2.36	2.56	2.67
Earnings per share (Rs.)	98.66	68.60	38.95	26.89	18.16	19.12	12.77	24.49	22.25	29.39
Net worth per share (Rs.)	359.06	298.31	246.24	215.64	192.36	172.43	147.16	137.19	125.94	106.00
Current Ratio	1.46	1.58	1.58	1.65	1.76	1.71	1.82	1.53	1.47	1.47
Total Debt / Equity	0.01	0.08	0.09	0.10	0.11	0.16	0.28	0.07	0.05	0.15
Return on Net Worth	27.48%	23.00%	15.82%	12.47%	9.44%	11.09%	8.68%	17.85%	17.67%	27.73%
Gross profit margin	20.17%	18.06%	16.09%	12.41%	11.46%	10.43%	5.32%	13.37%	14.21%	16.71%
Net profit margin	12.89%	11.56%	9.22%	7.60%	5.94%	6.42%	4.92%	9.04%	8.02%	11.12%

On the basis of average net assets and capital employed

Reconciliation of Profit determined under Indian GAAP with Net Income in accordance with US GAAP for the year 2006-07

	Notes	Rs Crores	US \$ (Million)
Profit after tax determined under Indian GAAP		2,414.70	553.96
Adjustment to conform with US GAAP			
Rental Income (lease)	1	(39.77)	(9.12)
Income from investment in Joint Ventures	2	1.00	0.23
Research & Development Expenses	3	(13.45)	(3.09)
Depreciation	4	53.22	12.21
Prior period items (incl. provision for taxation earlier years Rs.14.30 crores)	5	13.79	3.16
Deferred Income Tax	6	(1.58)	(0.36)
Net income in accordance with US GAAP		2,427.91	556.99

1US \$ = Rs. 43.59 (Exchange rate as on 31.03.2007)

The above US GAAP reconciliation is subject to the following adjustments:

1(a). Revenue Recognition - In respect of long term construction contracts entered before 1.4.2003

Recognition of revenue in respect of long production cycle items is made on technical estimates. When the aggregate value of shipment represents 30% or more of the realizable value, they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under contract. Income from erection and project management services is recognised on work done based on : Percentage of completion; or the intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognised as income when the contract is completed. Income from engineering services rendered is recognised at realisable value based on the percentage of work completed. Income from Supply/erection of non-BHEL equipment/systems and civil works is recognised based on dispatches to customer/work done at project site.

As per US GAAP, Revenue is recognised on percentage-of-completion method for Construction Contracts. Impact on reconciliation of US GAAP is not ascertained.

There is no difference in Revenue Recognition in respect of long term construction contracts entered on or after 1.4.2003.

1(b). Exchange variation to fixed assets is capitalised to relevant fixed assets and depreciation thereon is charged off as against the US GAAP exchange variation relevant to fixed assets are charged off during the year in income statement. Impact on reconciliation of US GAAP is not ascertained.

Notes to Reconciliation of Net Profit determined under Indian GAAP with Net Income in accordance with US GAAP

The following notes show the difference between Indian GAAP and US GAAP and necessary adjustment to arrive at net Income under the US GAAP.

1. Rental Income (Lease)

As per Indian GAAP assets given on lease classified as finance lease prior to 1.4.2001 are capitalised at the normal sale price/fair value/contracted price and depreciation on the same has been charged. Lease rental income recognised after adjusting lease equalisation. Under US GAAP assets given on finance lease, finance income is recognised over the lease period.

2. Income from Investment in Joint Ventures

As per Indian GAAP Dividend income from joint ventures is recognised and provision for dimunition in value, if any, is made for the investment in joint ventures. Under US GAAP share of income/ loss generated by joint ventures is recognised in the income statement in proportion to holding.

3. Research & Development Expenses

As per Indian GAAP R&D expenses in the nature of development are capitalised and amortised over the estimated useful life and shown under depreciation / amortisation. Under US GAAP amortisation of R&D assets is charged as R&D expenses.

4. Depreciation

As per Indian GAAP depreciation is charged to Income statement on assets given on finance lease prior to 1.4.2001. Under US GAAP assets given on finance lease, finance income is recognised. As per Indian GAAP amortisation of R&D assets is shown under depreciation / amortisation. Under US GAAP amortisation of R&D assets is charged as R&D expenses to income statement.

5. Prior period items

As per Indian GAAP prior period items are reported separately in the income statement for the year. Under US GAAP prior period items are accounted by adjustment to prior years under retained profits.

6. Deferred Income Tax


As per Indian GAAP deferred tax assets or liabilities are created based on substantively enacted tax rates whereas under US GAAP these are created on enacted tax rates in force at the balance sheet date

As per our report of even date

For **M. L. Puri & Co.**

Chartered Accountants


(Navin Bansal)
Partner


(C. S. Verma)
Director (Finance)

Place : New Delhi

Date : 01.08.2007

Auditor's Report on US GAAP Reconciliation

We have audited the Reconciliation of Net Profit of Bharat Heavy Electricals Limited for the year ended 31st March, 2007 under Indian GAAP to Net Income in accordance with US GAAP (:the Reconciliation") subject to :

- i) Revenue recognition in respect of long term construction contracts entered before 01.04.2003 [Refer Note No. 1(a)];
- ii) Accounting of exchange variation related to fixed assets [Refer Note No. 1(b)].

Consequential impact, if any, of the above on the income as per US GAAP remains unascertained.

The Reconciliation is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such Reconciliation, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

For M. L. Puri & Co.

Chartered Accountants


(Navin Bansal)
Partner
Membership No. 091922

Place : New Delhi

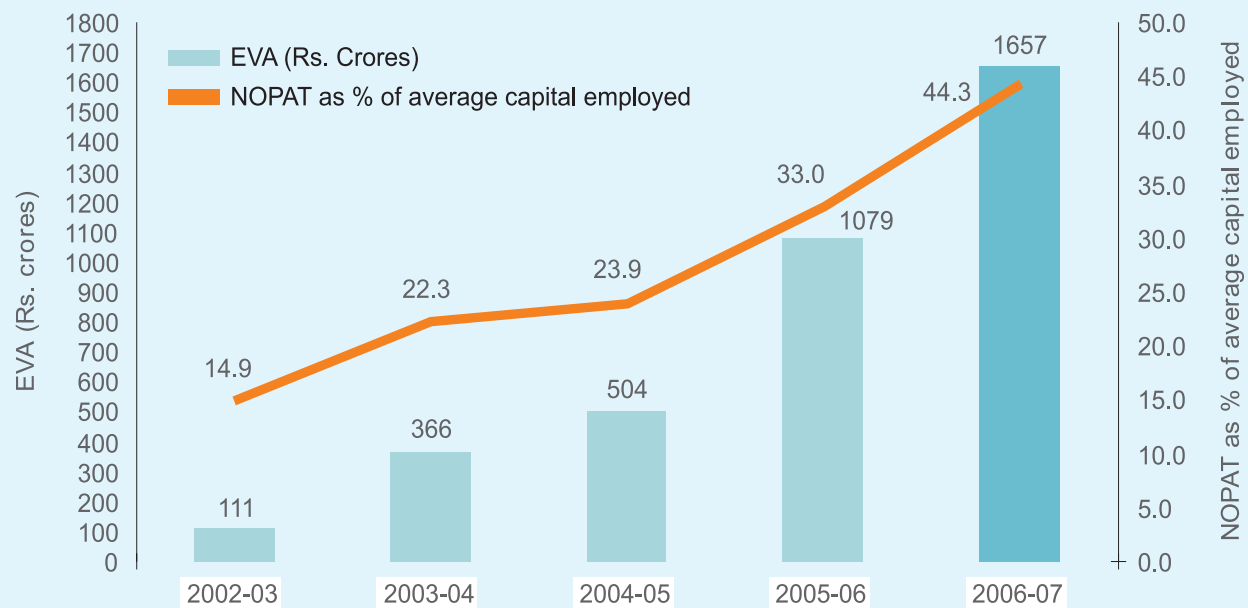
Date : 01.08.2007

Economic Value Added (EVA)

EVA is the relevant yardstick for measuring “economic profits”. EVA is the company’s net operating profit after tax, after deducting the cost of capital. Companies, which earn returns higher than the cost of capital, create wealth for the shareholders and on the other hand companies earning returns lower than the cost of capital, destroy shareholders wealth.

Rs. Crs. except as otherwise stated

	2006-07	2005-06	2004-05	2003-04	2002-03
Cost of capital					
Cost of equity (%)	14.6	11.9	11.8	12.9	12.9
Weighted average cost of capital (WACC) (%)	14.4	11.5	11.6	12.3	12.1
Average capital employed	5544	5037	4132	3679	3850
Economic Value added					
NOPAT	2454	1660	986	819	575
Less: Cost of capital	797	581	482	453	464
Economic value added	1657	1079	504	366	111
Enterprise Value					
Market Value of equity	55349	54874	18758	14792	5462
Add: Debt	89	558	537	540	531
Less: Cash and cash equivalents	5809	4134	3178	2660	1321
Enterprise value	49629	51298	16117	12672	4672
Return ratios					
NOPAT / Average capital employed (%)	44.3	33.0	23.9	22.3	14.9
EVA/ Average capital employed (%)	29.9	21.4	12.2	10.0	2.9
Enterprise value / Average capital employed (X)	9.0	10.2	3.9	3.4	1.2



Value Addition Statement

(Rs.in Crores)

Description	2006-07	2005-06	2004-05	2003-04	2002-03
A. Generation of Value Addition					
Value of Production (less excise duty)	17324	13675	10031	7884	6856
Less- Direct Material, Power & Fuel and Payments to Contractors	10142	7992	5777	4204	3608
Value Added	7182	5683	4254	3680	3248
Less - Other Operating Exp (Net of income)	679	935	704	541	547
Net Value Addition	6503	4748	3550	3139	270
% to value of production	37.54%	34.72%	35.39%	39.81%	39.40%
B. Application of Value Addition					
Employees payments	2451	1879	1650	1639	1505
% to net value addition	37.69%	39.57%	46.48%	52.21%	55.72%
Depreciation	273	246	219	198	185
% to net value addition	4.20%	5.18%	6.17%	6.31%	6.85%
Financing charges :					
- Interest on borrowings	43	58	82	57	55
% to net value addition	0.66%	1.22%	2.31%	1.82%	2.04%
DRE of VRS charged off	0	0	18	230	154
% to net value addition	0.00%	0.00%	0.51%	7.32%	5.69%
Income tax (inc. def. tax & prior period tax)	1321	885	628	357	358
% to net value addition	20.31%	18.64%	17.69%	11.37%	13.25%
Dividend (incl. dividend tax)	693	405	222	166	110
% to net value addition	10.66%	8.53%	6.25%	5.29%	4.07%
Retained Profit	1722	1275	731	492	334
% to net value addition	26.48%	26.85%	20.59%	15.67%	12.37%

Performance vis-à-vis Annual Plan 2006-07

(Rs. in Crores)

Category of Investment	Target	Actual
Schemes	327.86	269.21
Modernisation & Rationalization	57.17	46.47
Science & Technology	10.21	7.40
Township & Welfare	6.68	1.74
Total	401.92	324.82

* In addition Rs. 372.70 Million was spent for modernizing and upgrading equipments at various power plant sites towards capability building for the enhanced erection load and shorter commissioning schedules.

Contribution to Exchequer 2006-07

(Rs. In Crores)

	2005-06	2006-07
Excise Duty and Service Tax	701	849
Customs Duty	238	316
Sales Tax	399	443
Income Tax	992	1369
Dividend	282	240
Dividend Tax	58	50
Total	2670	3267

Product Profile

THERMAL POWER PLANTS

- Steam turbines, boilers and generators of up to 500 MW capacity for utility and combined-cycle applications; capability to manufacture boilers and steam turbines with supercritical steam cycle parameters and matching generators of up to 1000 MW unit size.
- Steam turbines, boilers and generators for CPP applications; capability to manufacture condensing, extraction, back pressure, injection or any combination of these types of steam turbines.

NUCLEAR POWER PLANTS

- Steam generator & Turbine generator up to 540 MW capacity.

GAS-BASED POWER PLANTS

- Gas turbines of up to 280 MW (ISO) rating.
- Gas turbine-based co-generation and combined-cycle systems for industry and utility applications.

HYDRO POWER PLANTS

- Custom-built conventional hydro turbines of Kaplan, Francis and Pelton types with matching generators, pump turbines with matching motor-generators.
- Mini/micro hydro sets.
- Spherical, butterfly and rotary valves and auxiliaries for hydro stations.

DG POWER PLANTS

- HSD, LDO, FO, LSHS, natural gas/biogas-based diesel generator power plants, unit rating of up to 20 MW and voltage up to 11 kV, for emergency, peaking as well as base load operations on turnkey basis.

INDUSTRIAL SETS

- Industrial turbo-sets of rating from 1.5 to 120 MW.
- Gas turbines and matching generators ranging from 3 to 280 MW (ISO) rating.
- Industrial steam turbines and gas turbines for drive applications and co-generation applications.

BOILERS

- Steam generators for utilities, ranging from 30 to 500 MW capacity, using coal, lignite, oil, natural gas or a combination of these fuels; capability to manufacture boilers with supercritical parameters up to 1000 MW unit size.

- Steam generators for industrial applications, ranging from 40 to 450 t/hour capacity, using coal, natural gas, industrial gases, biomass, lignite, oil, bagasse or a combination of these fuels.
 - Pulverised fuel fired boilers.
 - Stoker boilers
 - Atmospheric fluidised bed combustion boilers.
 - Circulating fluidised bed combustion boilers.
- Heat-recovery steam generators.
- Chemical recovery boilers for paper industry, ranging from capacity of 100 to 1000 t/day of dry solids.
- Pressure vessels.

BOILER AUXILIARIES

- Fans
 - Axial reaction fans of single stage and double stage for clean air application, with capacity ranging from 25 to 800m³/s and pressure ranging from 120 to 1,480 m of gas column.
 - Axial impulse fans for both clean air and flue gas applications, with capacity ranging from 7 to 600m³/s and pressure up to 700m of gas column.
 - Single and double-suction radial fans for clean air and dust-laden hot gases applications up to 400°C, with capacity ranging from 4 to 600m³/s and pressure ranging from 150 to 1,800 m of gas column.
- Air-Preheaters
 - Ljungstrom rotary regenerative air-preheaters for boilers and process furnaces.
 - Large regenerative air-preheaters for utilities of capacity up to 1000 MW.
- Gravimetric Feeders.
- Pulverisers
 - Bowl mills of slow and medium speed of capacity up to 100 t/hour.
 - Tube mills for pulverising low-grade coal with high-ash content.
- Pulse Jet and Reverse Air Type Fabric Filters (Bag Filters).
- Electrostatic Precipitators
 - Electrostatic precipitators of any capacity with efficiency up to 99.9% for utility and industrial applications.

- Mechanical Separators.
- Soot Blowers
 - Long retractable soot blowers (travel up to 12.2m), wall deslagers, rotary blowers and temperature probes and related control panels operating on pneumatic, electric or manual mode.
 - Swivel arm type soot blowers for regenerative air-preheaters.
- Valves
 - High-pressure and low-pressure bypass valves for utilities.
 - High and medium-pressure valves, cast and forged steel valves of gate, globe, non-return (swing-check and piston lift-check) types for steam, oil and gas duties up to 600 mm diameter, 250 kg/cm² pressure and 540°C temperature.
 - High-capacity safety valves and automatic electrically operated pressure relief valves for set pressure up to 200 kg/cm² and temperature up to 550°C.
 - Safety relief valves for applications in power, process and other industries for set pressure up to 175 kg/cm² and temperature up to 565°C.
- Ceramic wear-resistant lining material for application in pulverised and coal piping components of thermal power stations as well as in cement, coal and steel industries.

PIPING SYSTEMS

- Constant load hangers, clamp and hanger components, variable spring hangers for power stations up to 1000 MW capacities, combined cycle plants, industrial boilers and process industries.

HEAT EXCHANGERS AND PRESSURE VESSELS

- CS/AS/SS/Non-ferrous shell and tube heat exchangers and pressure vessels.
- Air-cooled heat exchangers.
- Surface condensers.
- Steam jet air ejectors.
- Columns.
- Reactors, drums.
- LPG/propane storage bullets.
- LPG/propane mounded storage vessels.
- Feed water heaters.

PUMPS

- Pumps for various applications to suit utilities up to a capacity of 1000 MW.
- Boiler feed pumps (motor or steam turbine driven).
- Boiler feed booster pumps.
- Condensate pumps.
- Circulating water pumps.
- Emergency oil pumps.
- Lubricating oil pumps.
- Standby oil pumps.

POWER STATION CONTROL EQUIPMENT

- Microprocessor-based distributed digital control systems.
- Data acquisition systems.
- Man-machine interface.
- Sub-station controls with SCADA.
- Static excitation equipment/automatic voltage regulator.
- Electro-hydraulic governor control.
- Turbine supervisory system and control.
- Burner Management system.
- Controls for electrostatic precipitators.
- Controls for HP/LP bypass valves.
- Soot blower control.
- Auxiliary pressure reduction and de-superheating system.
- Balance of Plant station controls.
- Gas turbine control system.

SWITCHGEAR

- Switchgear of various types for indoor and outdoor applications and voltage ratings up to 400 kV.
- Minimum oil circuit breakers (66kV - 132kV).
- SF₆ circuit breakers (132 kV - 400 kV).
- Vacuum circuit breakers (3.3 kV - 33 kV).
- Gas insulated switchgears (145 kV).

BUS DUCTS

- Busducts with associated equipment to suit generator power output of utilities of up to 500 MW capacity.

TRANSFORMERS

- Power transformers for voltage up to 400 kV and 800 kV is under development.
- HVDC transformers and reactors up to ± 500 kV rating.
- Series and shunt reactors of up to 400 kV rating and 800 kV is under development.

- Instrument transformers :
 - Current transformers up to 400 kV.
 - Electro-magnetic voltage transformers up to 220 kV.
 - Capacitor voltage transformers up to 400 kV.
- Cast resin dry type transformers up to 10 MVA 33 kV.
- Special transformers for : earthing; furnace; rectifier; electrostatic precipitator; freight loco, AC EMU and traction.

INSULATORS

- High-tension ceramic insulators.
 - Disc/suspension insulators for AC/DC applications, ranging from 45 to 400 kN electro-mechanical strength, for clean and polluted atmospheres.
 - Pin insulators up to 33 kV including radio free design.
 - Post insulators suitable for applications up to 220 kV stacks.
 - Hollow porcelains up to 400 kV for Transformers, SF₆ circuit breakers.
 - Solid core porcelain insulators for 25 kV Railway Traction.
 - Solid core insulators up to 400 kV for Bus Post & Isolators for substation applications.
 - Composite Insulators for 25 kV Railway Traction and up to 400 kV transmission lines.
 - Disc insulators for 800 kV AC and \pm 500 kV HVDC transmission lines (BHEL is the first Indian manufacturer to supply such insulators).

INDUSTRIAL AND SPECIAL CERAMICS

- High-performance ceramics for special applications like : alumina, substrates, crucibles, pebbles, metal ceramic jointing components, etc.
- Cordierite Honeycomb 80 to 400 cpsi in different contours and lengths for various applications including petrol and diesel vehicles.

CAPACITORS

- Power capacitors for industrial and power systems of up to 250 kVAr rating for application up to 400 kV.
- Coupling/CVT capacitors for voltages up to 400 kV.
- CAPSWITCH – solid state switch for on/off control of capacitor banks – for LT applications.

ENERGY METERS

- Single-phase and 3-phase electro-mechanical energy meters with jewel bearing or magnetic suspension bottom-bearing.

Single-phase and 3-phase electro-mechanical meters with stepper-motor driven counters and LCD's

- High-accuracy Trivector meter (0.2 class and 0.5 class).
- Single-phase and 3-phase prepaid meter and reading.
- Complete metering solutions with automatic meter reading.

ELECTRICAL MACHINES

AC squirrel cage, slipring, synchronous motors, industrial alternators and DC machines are manufactured as per range summarised below. Special-purpose machines are manufactured on request.

- AC Machines for Safe Area Application

- Induction Motors

Squirrel cage
150 to 35000 kW

Slipring
150 to 15000 kW

- Synchronous motors

1000 to 17500 kW

- Variable-Speed drives

Synchronous motors
1000 to 17500 kW

Induction motors
200 to 35000 kW

- AC Machines for Hazardous Area Application

- Flame-proof motors (Ex.'D')

150 to 1600 kW

- Pressurised (Ex. 'P')

150 kW and above

- Non-sparking (Ex. 'N')

Variable speed

- Increased safety (Ex. 'E')

Synchronous and

Squirrel Cage

- DC Machines

- Mill Duty

3.5 to 186 kW

- Medium/Large
75 to 12000 kW
- Industrial Alternators
 - steam turbine, gas turbine
2000 kVA to
and diesel engine driven
60,000 kVA
- Voltage & Enclosure
 - Voltage
AC-415 V to 13800 V

DC - up to 1200 V
 - Enclosure
SPDP, CACW, CACA, TETV.

COMPRESSORS

- Centrifugal compressors of varying sizes, driven by steam turbine/gas turbine/motor, for industrial applications handling almost all types of gases; range covers pressure up to 800 kg/cm² and capacity upto 350,000 Nm³/hour.

CONTROL GEAR

- Industrial Control gear
 - Control panels and cubicles for applications in steel, aluminium, cement, paper, rubber, mining, sugar and petrochemical industries.
 - Liquid rotor starters for slipring induction motors of up to 2500 hp rating.
 - Liquid regulators for variable-speed motors
- Contractors
 - LT air break type AC for voltages up to 660 V.
 - LT air break type DC contactors for voltages up to 600 V.
 - HT vacuum type AC for voltages up to 11kV.
- Traction Control gear
 - Control gear equipment for railways and other traction applications.
- Control and Relay Panels
 - Control Panels for voltages up to 400 kV and control desks for generating stations and EHV sub-stations.
 - Control and relay boards.

- Turbine gauge boards for thermal, gas, hydro and nuclear sets.
- Turbine electrical control cubicles.
- Outdoor-type control panels and marshalling kiosks, swinging type synchronising panel and mobile synchronising trolley.
- Transformer tap-changer panels.

SILICON RECTIFIERS

- Silicon power rectifiers with matching transformers for industrial applications like aluminium/copper/zinc smelting, for electrolysis in chemical industry and AC/DC traction application.

THYRISTOR GTO/IGBT EQUIPMENT

- Thyristor converter/inverter equipment for DC drives and synchronous motors.
- Thyristor high current/high voltage power supplies.
- Static AC variable-speed drive systems using GTO/IGBT.
- Thyristor valves and controls for HVDC transmission.
- High frequency induction heating equipment.
- Thyristor valves and controls for reactive power management.

POWER DEVICES

- High-power capacity silicon diodes, thyristor devices and solar photovoltaic cells.

TRANSPORTATION EQUIPMENT

- AC electric locomotives.
- AC-DC dual voltage electric locomotives.
- Diesel-electric locomotives.
- Diesel hydraulic locomotives.
- OHE recording-cum-test car.
- Electric traction equipment (for conventional DC drive as well as 3-phase AC drives, diesel/electric locos, electric multiple units, diesel multiple units and urban transportation systems).
- Traction motors.
- Transformers smoothing reactors.
- Traction generators/alternators.
- Rectifiers.
- Bogies.
- Vacuum circuit breakers.
- Auxiliary machines.

- Microprocessor-based electronic control equipment.
- Power converter/inverter.
- Static inverter for auxiliary supply.
- Locomotive control resistances i.e. field diverters, dynamic braking resistors and inductive shunts.
- Dynamic track stabilizers.
- Ballast cleaning machines.
- Traction control gear.
- Vessel Traffic Management system.
- Ceramic catalytic converter for pollution control.

OIL FIELD EQUIPMENT

- Oil Rigs –

A variety of on-shore rigs, work-over rigs, mobile rigs, heli-rigs, desert rigs for drilling up to depths of 9,000 m, complete with matching draw-works and hoisting equipment including:

- Mast and substructure.
- Rotating equipment.
- Mud System including pumps.
- Power packs and rig electrics
- Rig instrumentation.
- Rig utilities and accessories

- Well Heads and Christmas Trees/sub-sea equipment:
 - Well Heads and X-Mas Trees for working pressures up to 10,000 psi.
 - Choke and kill manifolds.
 - Mud valves.
 - Full bore valves.
 - Block valves.
 - Mudline suspension system.
 - Casing support system.
 - Sub-sea Well Heads.

CASTINGS AND FORGINGS

- Sophisticated heavy castings and forgings of creep-resistant alloy steels, stainless steel and other grades of alloy steels meeting stringent international specifications.

SEAMLESS STEEL TUBES

- Hot-finished and cold-drawn seamless steel tubes with a range varying from outer diameter of 19 to 133 mm and wall thickness of 2 to 12.5 mm, in carbon steel and low-alloy steels to suit ASTM/API and other international specifications.

- Studded tubes
 - Extended surface tubes for high-performance heat transfer applications.
- Spiral finned tubes
 - High-frequency resistance welded finned tubes for heat recovery steam generators, economisers and heat furnaces.

DISTRIBUTED POWER GENERATION AND SMALL HYDRO PLANTS

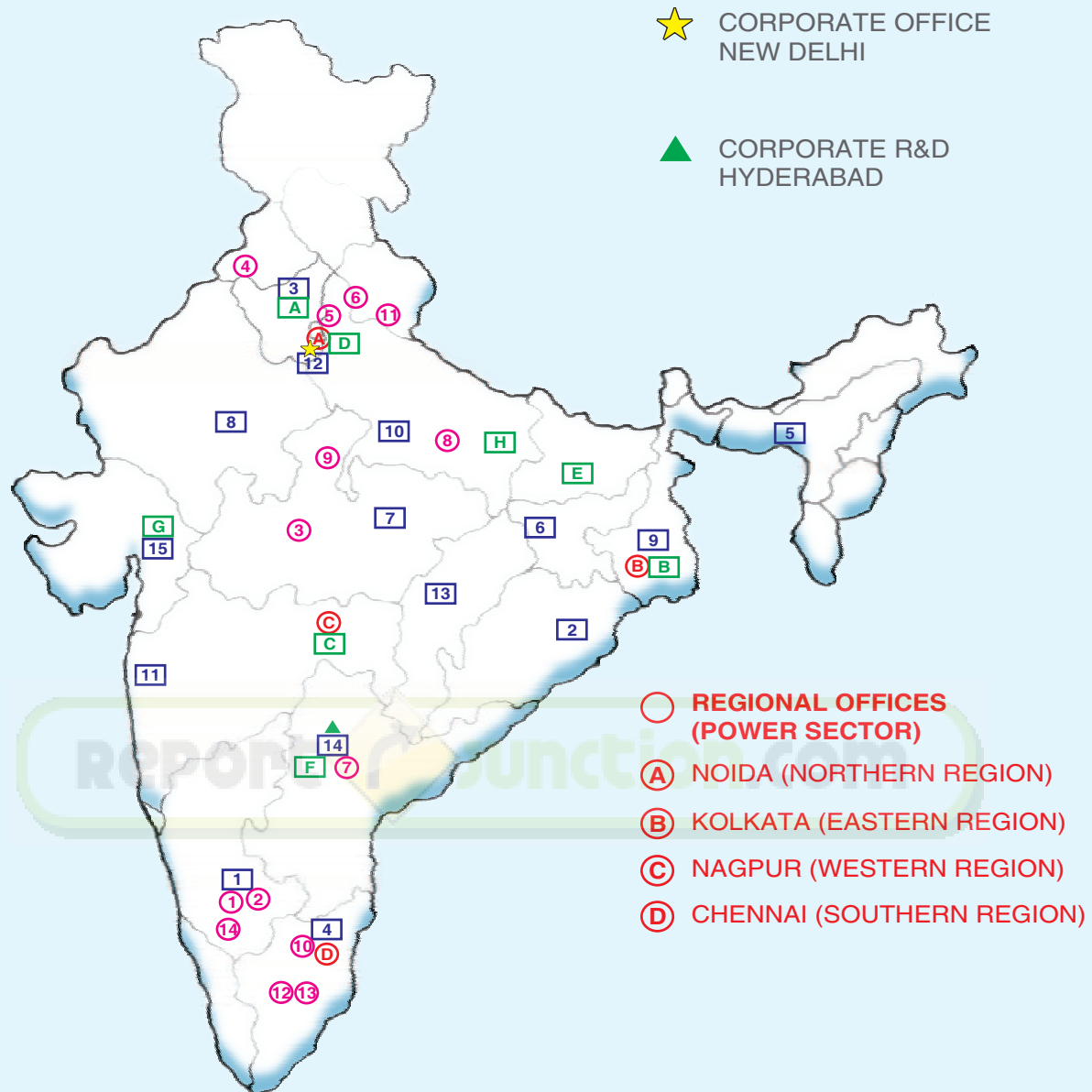
- Wind electric generator of up to 250 kW rating.
- Solar PV systems and power plants.
- Solar pumps.
- Solar water heating system.
- Solar lanterns, home lighting and street lighting.
- Small hydro power plants up to 25 MW station capacity.

SYSTEMS AND SERVICES

- Power Generation Systems.
 - Turnkey power stations.
 - Combined-cycle power plants.
 - Cogeneration systems.
 - Modernisation and Rehabilitation of power stations.
- Transmission systems
 - Sub-stations/switchyards.
 - HVDC transmission systems.
 - Shunt and Series compensation systems.
 - Power system analysis and controls.
 - FACTS & CSR.
- Distribution systems
 - Substations
 - Automation
 - Remote metering
- Transportation system
 - Traction systems.
 - Urban transportation systems.
- Industrial systems
 - Industrial drives and control systems.

Erection, commissioning, operation and maintenance services, spares management and consultancy services for all the above systems.

BHEL in India



□ BUSINESS OFFICES

1 BANGALORE	10 LUCKNOW
2 BHUBANESWAR	11 MUMBAI
3 CHANDIGARH	12 NEW DELHI
4 CHENNAI	13 RAIPUR
5 GUWAHATI	14 SECUNDERABAD
6 RANCHI	15 VADODRA
7 JABALPUR	
8 JAIPUR	
9 KOLKATA	

○ MANUFACTURING UNITS

14 1 2 BANGALORE
3 BHOPAL
4 GOINDWAL
5 6 HARIDWAR
7 HYDERABAD
8 JAGDISHPUR
9 JHANSI
10 RANIPET
11 RUDRAPUR
12 13 TIRUCHIRAPALLI

□ SERVICE CENTRES

A CHANDIGARH
B KOLKATA
C NAGPUR
D NOIDA
E PATNA
F SECUNDERABAD
G VADODARA
H VARANASI



BHEL's International Presence



Bharat Heavy Electricals Limited
Regd. Office : BHEL House, Siri Fort, New Delhi-110 049

NOTICE

Notice is hereby given that the 43rd Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Monday', the 17th September, 2007 at 10.00 A.M. at FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi-110001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2007 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri K. Ravi Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri C. S. Verma, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Sanjay M. Dadlika, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix the remuneration of the Auditors.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

Resolution:

"RESOLVED THAT Shri N. GOKULRAM, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

Resolution:

"RESOLVED THAT Shri B. P. Rao, who has been appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 01/09/2007 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

Resolution:

Resolution:

"RESOLVED THAT Shri Anil Sachdev, who has been appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 01/09/2007 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company."

By Order of the Board of Directors


(N.K. SINHA)
COMPANY SECRETARY

New Delhi

Dated : 10th August, 2007

Registered Office:

"BHEL HOUSE", Siri Fort, New Delhi-110049

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS (48 HOURS) BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ENCLOSED.
2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business, as set out above is annexed hereto.
3. Brief resume of each of the Directors proposed for appointment and re-appointment is given as Annexure-2 to the Directors' Report.
4. Shri K. Ravikumar, Shri C. S. Verma, and Shri Sanjay M. Dadlika, Directors, retire by rotation and being eligible, offer themselves for re-appointment.
5. The Register of Members and Share Transfer books of the Company shall remain closed from 3rd September, 2007 to 17th September, 2007 (both days inclusive) for the purpose of payment of dividend, if any ,approved by the Members.
6. Members are advised to submit their Electronic Clearing Service (ECS) mandate in the form (given elsewhere in the Annual Report) duly filled in and signed, to enable the Company to make remittance by means of ECS.
7. The Board of Directors have recommended a final dividend of 60% on the enhanced Paid-up Share Capital (Post Bonus Issue) of the Company besides an interim dividend of 125% already paid during the year 2006-07.
8. The final dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March,2007, when sanctioned at the Annual General Meeting of the Company will be payable within 30 days from the date of declaration of dividend by the members i.e. on or before 16th October, 2007, to those shareholders whose name appears on the Company's Register of Members or as the beneficial owner of shares in the records of the Depository as on 3rd September, 2007.
9. Pursuant to section 205A read with Section 205C of the Companies Act, 1956, as amended, the dividend amounts which remain unpaid / unclaimed for a period of 7 years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the final dividend for the Financial year 1999-2000 which remains unclaimed is due to be transferred to the said account after 28th September, 2007 and for the further years commencing from 2000-01 onwards on their respective due dates.

Members who have not claimed / encashed their final Dividend so far for the financial year ended 31st March 2000 or any subsequent financial year(s) may approach the Company for obtaining payments thereof before expiry of the stipulated 7 years period.
10. Members may avail facility of nomination in the terms of section 109A of the Companies Act,1956, by nominating in the Form-2B (given elsewhere in the Annual report) any person to whom their shares in the Company shall vest in the event of their death.
11. Pursuant to Section 619(2) read with Section 224(8) (aa) of the Companies Act, 1956, the Auditors of a Government Company are appointed or re-appointed by the Comptroller and Auditor General (C&AG) of India and their remuneration is fixed by the Company in the Annual General Meeting. The General Meeting may, authorize the Board to fix up an appropriate remuneration of Auditors for the year 2007-08 after taking into consideration the increase in volume of work and prevailing inflation.
12. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the board resolution/ power of attorney authorizing the representative to attend and vote at the Annual General Meeting.

13. Members are requested to notify immediately any change of address;

- i. to their Depository Participants (DPs) in respect of their electronic share accounts, and
- ii. to the Company at its Registered office in respect of their physical shares, if any, quoting their folio number, Banker's name and account number to ensure prompt and safe receipt of dividend warrants.

14. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting. However, entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue and to be exchanged with attendance slip.

15. Members are requested :

- (i) to bring their copies of Annual Report , Notice and Attendance Slip at the time of the meeting.
- (ii) to quote their Folio Nos./ ID Nos. in all correspondence.
- (iii) to note that no briefcase or bag will be allowed to be taken inside the auditorium for security reasons.
- (iv) to note that no gifts will be distributed in the AGM.

By order of the Board of Directors



(N.K. SINHA)
COMPANY SECRETARY

New Delhi

Dated : 10th August, 2007

Registered Office:

"BHEL House", Siri Fort, New Delhi-1100 049



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out the material facts relating to the business mentioned in Item Nos. 7 to 9 of the accompanying Notice dated 10th August, 2007.

ITEM NO. 7

Shri N. Gokulram, aged 57 years is Additional Secretary & Financial Advisor to Government of India, Commerce and Industry, Ministry of Heavy Industries & Public Enterprises. As per the direction of Govt. of India, Shri N. Gokulram was appointed as a Part time official Director of the Company w.e.f. 25.01.2007. Having been so appointed, Shri N. Gokulram holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a Notice in writing along with a deposit of Rs. 500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri N. Gokulram is, in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the Shareholders.

ITEM NO. 8

Shri B. P. Rao, aged 53 years is a Mechanical Engineering Graduate from Jawahar Lal Nehru Technological University, Kakinada, Andhra Pradesh and a Post Graduate in Industrial Engineering from NITIE, Mumbai. As per the direction of the Govt. of India, Shri B. P. Rao has been appointed as an Additional Director of the Company w.e.f. 01.09.2007 to hold the Office for a period of five years i.e. upto 31.08.2012 or till the date of superannuation or until further orders, which event occurs the earliest. Having been so appointed, Shri B.P. Rao holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a Notice in writing along with a deposit

of Rs. 500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri B. P. Rao is, in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the Shareholders.

ITEM NO. 9

Shri Anil Sachdev, aged 55 years is a Mechanical Engineering Graduate from Jabalpur University and an MBA in Production Management from University of Bhopal. As per the direction of the Govt. of India, Shri Anil Sachdev has been appointed as an Additional Director of the Company w.e.f. 01.09.2007 to hold the Office for a period of five years i.e. upto 31.08.2012 or till the date of superannuation or until further orders, which event occurs the earliest. Having been so appointed, Shri Anil Sachdev holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a Notice in writing along with a deposit of Rs. 500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Anil Sachdev is, in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the Shareholders.

By Order of the Board of Directors



(N.K. SINHA)

COMPANY SECRETARY

New Delhi

Dated : 10th August, 2007

Registered Office:

"BHEL HOUSE", Siri Fort, New Delhi-110049

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Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

FORM OF PROXY

FOLIO/ID NO.

NO. OF SHARES

I/We of
..... in the
District of being
a member/members of the above named Company, hereby appoint of
..... in the District of or failing
him/her
of in the District of
..... as my/our proxy
to vote for me/us on my/our behalf at the 43rd Annual General Meeting of the Company to be held on
17th September 2007 and at any adjournment thereof.

Signed this day of 2007.

Affix
30 Paise
revenue
stamp

- Notes : a) The form should be signed across the stamp as per specimen signature registered with the Company.
b) The form should be deposited at the Registered Office of the Company forty-eight hours before the
time for holding the Meeting.

Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

ATTENDANCE SLIP

43rd ANNUAL GENERAL MEETING

to be held on Monday, the 17th day of September, 2007

at 10.00 AM at FICCI Auditorium, Barakhamba Road, New Delhi-110 001.

NAME OF THE ATTENDING MEMBER
(IN BLOCK LETTERS)

Folio. / ID No.

No. of shares held

NAME OF PROXY

(IN BLOCK LETTERS, TO BE FILLED

IN IF THE PROXY ATTENDS INSTEAD OF THE MEMBER)

I hereby record my presence at the 43rd Annual General Meeting on 17th September 2007.

Signature of Member/Proxy

THIS ATTENDANCE SLIP DULY FILLED TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

TEAR HERE

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Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

Dear Shareholder(s),

Re: Payment of dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS/Bank Account particulars to our Registrars, viz, M/s Karvy Computershare Pvt. Ltd. or to your Depository Participant (in case of demat holding), we would request you to provide the said particulars in the format given below to facilitate prompt, safe and correct payment of dividend to be declared in the 43rd Annual General Meeting of the company to be held on 17th September 2007.

Please ensure that the details submitted by you to the Registrars / Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account.

Payment of dividend through ECS and / or to the designated Bank Account, which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.

Kindly help us in our endeavour to serve you better.

Yours faithfully

Sd/-
(N.K. Sinha)
Company Secretary

P.S. In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars / ECS mandate.

FORM FOR ECS MANDATE/BANK ACCOUNT PARTICULARS

I/We do hereby authorise BHEL/my Depository Participant to

r Print the following details on my/our dividend warrant

r Credit my dividend amount to my Bank account by ECS

(Strike out whichever is not applicable)

My/our Folio No. DP ID No. Client A/c No.

Particulars of Bank Account :

- | | | |
|---|---|-------|
| A. Bank Name | : | ..... |
| B. Branch Name | : | ..... |
| (Address for Mandate only) | : | ..... |
| C. 9 digit code number of the bank & branch as appearing on the MICR cheque | : | ..... |
| D. Account Type (Saving/Current) | : | ..... |
| E. Account No. as appearing on the cheque book | : | ..... |
| F. STD code & Telephone No. of Shareholder | : | ..... |

I/we shall not hold the company responsible if the ECS could not be implemented or the Bank discontinue the ECS, for any reason.



M/s Karvy Computershare Pvt. Ltd.
17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081

.....
Signature of the Shareholder(s)

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the 9 digit code number.

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Form 2B

[See rules 4CCC and 5Dof Companies (Central Govt.'s) General Rules & Forms, 1956]

NOMINATION FORM

(To be filled in by individual (s) applying singly or jointly)

I/We and and the holders of Shares bearing number (s) of Bharat Heavy Electricals Limited wish to make a nomination and do hereby nominate the following person (s) in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my or our death.

Name (s) and Address (es) of Nominee (s)

Name :

Address :

Date of Birth* :

(*to be furnished in case the nominee is a minor)

** The Nominee is a minor whose guardian is

Name and Address

.....

(** to be deleted if not applicable)

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Address, Name and Signature of two witnesses :

	Name and Address	Signature with date
1.		
2.		

Instructions :

1. The Nomination can be made by individuals only applying/holding shares on their own behalf singly or jointly, Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders, more sheets can be added for signatures of holders of shares and witness.
2. A minor can be nominated by a holder of shares and in that event the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be a Trust, Society, Body corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of share.
5. Transfer of share in favour of a nominee shall be valid discharge by a Company against the legal heir.
6. The intimation regarding Nomination/Nomination Form shall be filed in duplicate with Company/Registrar and Share Transfer Agent of the Company who will return one copy thereof to the shareholder.

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Bankers

State Bank of India
ABN AMRO Bank N.V.
Bank of Baroda
Canara Bank
CITI Bank N.A.
Corporation Bank
Deutsche Bank AG
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Ltd.
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
State Bank of Travancore
Syndicate Bank
The Hongkong and Shanghai
Banking Corporation Ltd.

Auditors for 2006-07

M.L. Puri & Co., New Delhi
Alok Sharma & Co., Varanasi
Arora & Choudhary Associates, New Delhi
B.K. Ramdhyan & Co., Bangalore
Demble Ramani & Co., Nagpur
G.K. Rao & Co., Hyderabad
Ghosh Khanna & Co., New Delhi
Ghoshal & Ghosal, Kolkata
HDSG & Associates, New Delhi
Kalyanasundram & Co., Ranipet
M. Sun & Co., Chennai
R.L. Mehra & Co., Amritsar
S. Daga & Co., Hyderabad
S.P. Chopra & Co., New Delhi
SKG & Co., Mumbai
Sridhar & Santhanam, Chennai
Tasky Associates, Bhopal

Share Transfer Agent

Karvy Computershare Pvt. Ltd.

Unit : **BHEL**

Delhi Office : 105-108, Arunachal Building,
19, Barakhamba Road,
New Delhi - 110 001

Telephone : 011-23324401, 23324409

Fax : 011-23730743

Hyderabad Office : 17-24, Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081

Telephone : 040-23420815-20

Fax : 040-23420814

Email : madhusudhan@karvy.com
mailmanager@karvy.com

Registered Office

BHEL House, Siri Fort,
New Delhi - 110 049 (India)
Phone : 26001010 (15 Lines)
Fax : 011-26493021
<http://www.bhel.com>



Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi-110 049, India

Visit our website : <http://www.bhel.com>